

# DAILY REPORT

*China*

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6 May 1987

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PRC FOREIGN MINISTRY HOLDS WEEKLY PRESS BRIEFING

## PLO Delegation To Visit

OWO60836 Beijing XINHUA in English 0817 GMT 6 May 87

[Text] Beijing, May 6 (XINHUA) -- Abu Iyad, [Salah Khalaf] member of the Central Council of the Palestine National Liberation Movement (Al Fatah), will pay a goodwill visit to China between May 7 and 17 at the head of an official delegation of the Palestine Liberation Organization at the invitation of the Chinese Foreign Ministry.

This was announced by a Chinese Foreign Ministry spokesman at the weekly news briefing here this afternoon.

## Arab League Visit Announced

OWO60838 Beijing XINHUA in English 0821 GMT 6 May 87

[Text] Beijing, May 6 (XINHUA) -- A delegation of the 7-member committee of the Arab League headed by Hedi Mabrouk, minister of foreign affairs of Tunisia, will visit China from May 13 to 14 at the invitation of the Chinese Government.

This was announced by a Chinese Foreign Ministry spokesman here this afternoon at the weekly news briefing.

The spokesman also announced that Tunisian Foreign Minister Hedi Mabrouk will also pay an official visit to China from May 15 to 18 at the invitation of Chinese State Councillor and Foreign Minister Wu Xueqian.

## Contra Arms Sales Denied

OWO60938 Beijing XINHUA in English 0931 GMT 6 May 87

["China Refutes Report on Arms Sale to Nicaraguans" -- XINHUA headline]

[Text] Beijing, May 6 (XINHUA) -- A Chinese Foreign Ministry spokesman said here this afternoon that the report about the so-called arms sale by China to the anti-government forces in Nicaragua is "a sheer fabrication."

The spokesman said this when he was asked to clarify the report.

He reiterated that the Chinese Government has consistently opposed any external interference in the internal affairs of the Central American countries, including providing military assistance to the anti-government forces in Nicaragua.

## No Comment on Libya Arms Sales

HK060942 Hong Kong AFP in English 0936 GMT 6 May 87

[Text] Beijing, May 6 (AFP) -- China declined comment Wednesday on a foreign press report that it had sold weapons to Libya after the collapse of Tripoli's arms-for-oil agreement with the Soviet Union.

"I am not clear about this matter," Chinese Foreign Affairs Ministry Spokesman Ma Yuzhen told reporters at a weekly press briefing.

Observers said this failure to clarify the government's position was puzzling as, at the same briefing, Mr Ma strongly denied reports that Beijing had sold weapons to Iran and Nicaraguan rebels.

The report on alleged Chinese weapons shipments to Libya was in Sunday's WASHINGTON POST. It quoted an un-named Reagan administration specialist on Libya as saying that Beijing had sold 12 million dollars worth of military equipment to Libya in the past year.

U.S. officials were quoted as saying the Soviet Union has distanced itself from Libyan leader Mu'ammarr al-Qadhafi and suspended planned arms deliveries to Libya since Tripoli cut off oil shipments to Moscow in January.

Mr Ma said at the briefing that reports of arms shipments by China to Nicaraguan rebels were "sheer fabrication".

He also reiterated China's "strictly neutral position with regard to the Iran-Iraq war" and said there would be no arms sales to Iran pending the outcome of the conflict.

#### On Soviet, East European Ties

OWO61012 Beijing XINHUA in English 1003 GMT 6 May 87

[Text] Beijing, May 6 (XINHUA) -- A spokesman for the Chinese Foreign Ministry said here today that the development of relations between China and East European countries should not be linked to the Sino-Soviet relations.

The spokesman made this remark when he was asked what kind of impact the development of relations between China and East European countries, as demonstrated by the visit of Bulgarian leader Zhivkov, will exert on the Sino-Soviet relations at a news briefing here this afternoon.

He said that in developing its relations with East European countries, China's aim is to promote its friendly cooperation in order to seek common development and maintain world peace. This has no direct link with the Sino-Soviet relations.

"Problems between China and the Soviet Union should be solved by the two countries themselves through negotiations and consultations," he added.

#### Indian Troop Withdrawal Urged

OWO61146 Beijing XINHUA in English 1136 GMT 6 May 87

[Text] Beijing, May 6 (XINHUA) -- A spokesman for the Chinese Foreign Ministry today urged India to withdraw its intruding troops immediately in order to ease the tension along the Sino-Indian border and avoid possible occurrence of an unpleasant event.

The spokesman made this remark while answering a question at a press briefing here this afternoon.



He said that "China cannot remain in a state of inertia, faced with the recent happenings along the Sino-Indian border, although tension there is not as serious as some newsreports described".

"We hope that the intruding Indian troops will be withdrawn immediately in order to relax tension there and avoid possible occurrence of an unpleasant event," he added. He reiterated that China has always stood for an early and reasonable settlement of the Sino-Indian boundary question through friendly consultation and mutual understanding and accommodation.

"Before the settlement of the boundary question, the two countries should maintain peace and stability in the border areas. China has already made consistent efforts towards this," he said.

He said that the responsibility for some tensions prevailing at present along the Sino-Indian border lies on the Indian side. The Indian military personnel have repeatedly crossed the line of actual control, seizing more Chinese territory by piecemeal encroachment and occupying some spots. India has also sent out military aircraft from time to time to violate Chinese airspace, massed troops in the border areas and launched large-scale military exercises.

"China has raised the issue to India through diplomatic channels on many occasions. It will be easy to solve the problem and ease the tension along the Sino-Indian border if India stops its invasion and pulls out all its personnel who have crossed the line of actual control," he added.

#### PRC ENVOY MEETS UN SECRETARY GENERAL BEFORE VISIT

09051025 Beijing XINHUA in English 0943 GMT 5 May 87

[Text] United Nations, May 4 (XINHUA) -- U.N. Secretary-General Javier Perez de Cuellar today praised China for its close cooperation with the world body. At a send-off dinner in his honor hosted by Li Luye, China's permanent representative to the United Nations, Perez de Cuellar said that he is looking forward to his second official visit to China May 8-14.

"China is a major power, and is playing a significant role at the United Nations," he said. "China is also in a unique position to bridge the North and the South, the developed and the developing countries."

In his toast, Ambassador Li reiterated China's consistent view that "that United Nations plays a role that no individual power or group of powers can possibly replace."

He noted that Perez de Cuellar, as secretary-general, shoulders a difficult task of maintaining international peace, promoting economic development and cooperation. Li said that China appreciates and supports the secretary-general's "unremitting efforts" in safeguarding the purposes, principles and the charter of the U.N., and in strengthening the role of the world body.

As a permanent member of the Security Council, he said, China has always made it an important foreign policy objective to contribute to the realization of the purposes and principles of the U.N. charter by strengthening its cooperation with the world organization.

He said that the secretary-general's visit to China and his meetings with Chinese leaders will bring about fresh impetus in this respect.

BEIJING NEWS ANALYSIS TO USSR ON AFGHAN REFUGEES

OW021119 Beijing in Russian to the USSR 1800 GMT 30 Apr 87

[News analysis: "Withdrawal of Soviet Troops Is the Key to Return of Afghan Refugees to Their Homeland"]

[Text] The Kabul authorities recently groundlessly accused Pakistan of preventing Afghan refugees from returning to their homeland. Their aim was to hold Pakistan responsible for nonimplementation of the ceasefire and the failure at national reconciliation with the Afghan resistance forces. The Pakistan Government categorically, and in all seriousness, refuted this totally groundless accusation by the Kabul authorities, and indicated that, since the invasion by Soviet troops of Afghanistan in December 1979, the Pakistan-Afghan border has never been closed. The Afghan refugees can freely return to their home(s).

Nesides, the Pakistan Government invariably strives for a political solution of the Afghan question, to make it possible for Afghan refugees, whose numbers are constantly increasing, to return home.

Recently, Pakistan President Ziaul Haq, in an important speech on the country's foreign and internal policy at a joint session of the Pakistan Senate and House of Representatives, noted that the existence of the Afghan question has created unrest on the western frontier. He again expressed hope for a most rapid political settlement of this question. It is the Afghan refugees' irresistible wish to return to their homeland, but they can realize this dream only after withdrawal of Soviet troops from Afghanistan, because -- according to them -- only then will their safety be guaranteed.

The Afghan refugees' concern is not unwarranted. The Kabul authorities recently welcomed the return of Afghan refugees, but government and Soviet troops continued wild bombing of the border regions. Three weeks had not passed since the unilateral ceasefire was announced by the Kabul authorities, when Soviet and Afghan government troops, totalling more than 10,000 men, began a powerful offensive against a guerrilla base in a mountainous region of Paktia Province, and then commenced offensives in other regions, depriving their inhabitants of peaceful life.

According to calculations, the number of Afghan refugees in Pakistan already exceeds 3 million, and it is still growing. Every month, about 7,000 to 8,000 Afghans enter Pakistan. Although the Afghan refugees have brought heavy economic difficulties to the Pakistan Government, it still continues to render them all possible humanitarian aid. Speaking on this question, Pakistan President Ziaul Haq said: We are doing this because the Afghan people are waging a struggle against aggression, not only in the interests of their own country, but also in those of Pakistan and other peace-loving countries.

Observers noted long ago that, if the Kabul authorities sincerely want the Afghan refugees to return home, they must immediately stop reprisals against the Afghan people and bombardment of Pakistan territory. The Afghan refugees question was created by the Soviet aggression against Afghanistan, and the key to its solution is the total withdrawal of all Soviet troops from Afghanistan.

COMMENTARY DISCUSSES NAKASONE'S U.S. VISIT

HK030832 Beijing RENMIN RIBAO in Chinese 3 May 87 p 6

[Commentary by correspondent Zhang Yunwen (1728 0336 2429): "A Look at U.S.-Japanese Economic Relations in Light of Nakasone's Visit to the United States"]

[Text] Washington, 2 May -- Japanese Prime Minister Nakasone concluded his visit to Washington on 1 May.

Public opinion holds that this visit of Nakasone's did not resolve the long-standing, fundamental problems in economic relations between the two countries, nor could it have done so. American politicians and businessmen have lost patience this year with Japan's trade policies. In the face of a hostile U.S. Congress, the chief aim of the Japanese prime minister's visit was to deal with the two countries' trade dispute, ease the tension in their relationship caused by the trade imbalance, and seek to have the United States cancel its sanctions against Japanese electronic goods. Not much progress was made in these areas.

Nakasone arrived in Washington at a moment when trade friction between the two countries is worsening each day. Ten days previously, the Reagan administration formally began to impose a 100 percent punitive tariff on a number of electronic goods imported from Japan. A few hours before Nakasone's arrival in Washington, the House of Representatives passed a trade amendment bill heavily tinged with protectionism, and the next day it passed a comprehensive trade bill aimed largely at Japan.

The Japanese prime minister's visit took place at a time when factors causing ever-growing unease on both sides have appeared in the economies of the two countries. At their February meeting, although the finance ministers of the Paris Group of Six declared that there should be an appropriate exchange rate between the U.S. dollar and other leading Western currencies, the dollar has repeatedly fallen against the Japanese yen and has even dropped below the 140 yen to the dollar level. The continual decline in the dollar has increased the pressure on U.S. inflation and interest rates and caused foreign investors to lose confidence in the dollar. The devaluation of the dollar has also caused great loss to Japanese holders of the dollar. The rise in the yen has also dealt a hard blow to Japan's export trade and threatens the Japanese economy. This gave the U.S.-Japanese summit meeting a still greater sense of urgency.

President Reagan and Prime Minister Nakasone have both suffered setbacks in domestic politics. During this summit meeting, which focused on resolving their trade dispute, both men were under tremendous domestic political pressure. On the one hand, Reagan wanted to keep up the pressure on Nakasone over the trade issue; on the other hand, he was doing everything possible to ward off the protectionist surge from Congress. After it took control of both houses last November, the Democratic Party set the passing of a trade bill as its primary goal. After long debate, the House of Representatives finally took action during Nakasone's visit.

Nakasone brought his own "gifts" to pacify U.S. anger; that is, he produced a supplementary budget of \$58.6 billion to stimulate the Japanese economy, increase domestic consumption, and reduce exports. At the same time Japan will provide \$20 to 30 billion in loans for Third World countries, mainly in Latin America. Nakasone also announced yesterday that he has ordered the Bank of Japan to lower short-term interest rates to promote domestic economic growth. He also made some concessions on opening up Japanese markets. However, Nakasone could give no further commitment, since he had to avoid appearing to bow to U.S. pressure.



During his visit, Nakasone repeatedly urged the U.S. Government to lift its economic sanctions against Japan as soon as possible, calling them 'a thorn in the finger.'

President Reagan only agreed to review in mid-May the data on Japan's semiconductor trade, and a decision can only be made when the facts prove that Japan is indeed sticking to the semiconductor agreement.

Nakasone's visit to the United States and the Japanese-U.S. summit reflected the clash of interests between the two countries over trade and also illustrated the mutual economic reliance of the two countries. The United States is Japan's biggest market, while Japan is second only to Canada as the United States' largest trading partner. The two countries cannot withstand an all-out trade war. However, due to differences in their economic structures and also to differences in interests, there is no way that the two countries can avoid coming into conflict. Hence, economists believe that the trade friction between the United States and Japan will be very difficult to deal with simply as it stands, and can only be resolved from the macroeconomic angle. Japan's economy must gradually switch from focusing on exports and reliance on huge surpluses to increasing domestic consumption and reducing exports; and the United States must reduce its financial deficit, gradually reduce foreign investment, increase accumulation, cut consumption, and make its products more competitive. Economists hold that foreign trade barriers are not the main cause of the U.S. trade deficit. Even if all trade barriers are removed, this would only reduce the U.S. trade deficit by one-fifth. Hence, some people believe that U.S.-Japanese economic relations must undergo a painful readjustment and reform process. At present, no action for attaining this process of change can be discerned.

#### NEW OPPOSITION PARTY FORMED IN SOUTH KOREA

OWO21244 Beijing XINHUA in English 1158 GMT 2 May 87

[Text] Pyongyang, May 2 (XINHUA) -- A new opposition party -- the Reunification Democratic Party (RDP) -- was born in Seoul Friday, pledging an all-out struggle for democracy and against military dictatorship in South Korea.

More than 700 national delegates, including 66 parliamentarians, gathered to inaugurate the RDP. The delegates elected Kim Yong-sam as chairman and Kim Tae-chung permanent adviser to the new party.

The two Kims broke away from the opposition New Korea Democratic Party (NKDP) on April 8 to form the new hardline party, charging that the NKDP was conciliatory to the ruling Democratic Justice Party (DJP) on constitutional reforms.

Kim Yong-sam told the party convention that the RDP's first task is to reverse Chun Tu-hwan's April 13 decision to shelve constitutional reforms until 1988, when his presidency expires.

After the party inauguration, Kim Yong-sam and his supporters staged a demonstration outside the house of Kim Tae-chung who has been under house arrest for three weeks. The demonstrators were hauled away by some 1,000 policemen amid minor clashes.



VISITING FRENCH FOREIGN MINISTER CONTINUES TALKS

Meets Li Peng, Zheng

OWO41348 Beijing XINHUA in English 1337 GMT 4 May 87

[Text] Beijing, May 4 (XINHUA) -- Chinese Vice-Premier Li Peng met here today Jean-Bernard Raimond, French minister for foreign affairs.

The two sides held friendly discussions on the further development of the Sino-French economic, scientific and technological cooperation and cultural contacts.

Raimond said that though the relations between China and France are very friendly, their economic relations needed to be further developed.

He said that in a sense the Daya Bay nuclear power station is a model, indicating that France is willing to transfer its technology to China.

He hoped that the two countries would strengthen their cooperation of science, technology, culture and education in the future.

Li Peng said that China attaches great importance to some important economic agreements signed between the two countries in 1986, adding that China is willing to expand the economic and technical contacts with France, but in the first place the two countries should well implement the agreements already signed between them.

He said that it is the duty of the Chinese and French Governments to help the enterprises in their own countries in implementing these agreements.

Also in the afternoon, Chinese Minister Zheng Tuobin of foreign economic relations and trade held talks with Raimond on the Sino-French economic and trade cooperation.

Visits With Deng Xiaoping

OWO50824 Beijing XINHUA in English 0804 GMT 5 May 87

[Text] Beijing, May 5 (XINHUA) -- Senior Chinese leader Deng Xiaoping said here today that the development of both China and Europe results in the growth of forces for peace.

Deng, chairman of the Central Advisory Commission of the Chinese Communist Party, made this remark at a meeting with French Foreign Minister Jean-Bernard Raimond here this morning.

Deng noted that Europe suffered most from the previous two world wars, so it is quite understandable that people in both Western and Eastern Europe desire peace and dislike war.

"We hope to see a strong and united Europe as well as a strong China," he added.

Raimond said that China's policy changes in the last eight years have caught world attention. China's changes are important not only to China but to the whole world as well.

"This is only the first step. China's goal is to reach the level of the middle-class developing countries through its efforts in the last two decades of this century and the first half of the next," Deng replied.

Raimond passed a letter from French Prime Minister Jacques Chirac to Deng, who in turn asked Raimond to give his best regards to French President Francois Mitterrand and Chirac.

"China and France have long maintained sound relations. We treat each other as friends," Deng said.

#### Meets Song Jian

OW051251 Beijing XINHUA in English 1217 GMT 5 May 87

[Text] Beijing, May 5 (XINHUA) -- Song Jian, Chinese state councillor and minister in charge of the State Science and Technology Commission, met here today French Foreign Minister Jean-Bernard Raimond.

The two sides exchanged views on cooperation in applied sciences, nuclear energy, space technology and biological technique as well as cooperation between small and medium-sized enterprises.

#### Holds Press Conference

HK051244 Hong Kong AFP in English 1233 GMT 5 May 87

[Text] Beijing, May 5 (AFP) -- China's top leader Deng Xiaoping told visiting French Foreign Minister Jean-Bernard Raimond here Tuesday that the Cultural Revolution was a serious mistake, a French source said.

The 10-year period, which ended in 1976, was "a serious mistake which delayed the modernisation of China," the sources quoted Mr Deng as saying.

The Chinese leader reportedly said that China had been changing in the past eight years but that it would take 70 years for the country to reach the standard of living France now enjoyed.

China launched an ambitious programme of economic reforms, characterised by its open-door policy, in 1978, observers here noted.

Mr Deng made no reference to a political crisis which erupted in China in mid-January following the forced resignation of former Chinese Communist Party Secretary General Hu Yaobang, the source said.

Observers here said that the crisis reflected a party clash between reformist supporters of Mr Deng and conservatives in the regime opposed to the pace and timing of the reforms.

The talks between Mr Deng and Mr Raimond focused on U.S.-Soviet disarmament negotiations and China's modernization.

The Chinese leader said he hoped that "the superpowers will take the stand of middle-ranking powers into account," Mr Raimond told French journalists at a press conference after the meeting.

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The French minister said that China's leaders, including Premier Zhao Ziyang, had expressed support for "simultaneous nuclear disarmament" in both Europe and Asia.

But China was concerned that "nuclear disarmament in Europe would not follow in Asia," he said, adding that France and China had agreed to hold "regular high-level talks" on the matter.

Mr Raimond said that his three-day official visit to China, which ended Tuesday, was the first by a French official since March 1986, when the conservative French Government of Jacques Chirac came to power.

The French minister reiterated that the excellent political relationship between France and China was not reflected in trade between the two countries. On Monday, Mr Raimond referred to "the mediocrity of Sino-French economic relations," which have fallen steadily over the past year.

France is China's 11th biggest trading partner. French imports of Chinese goods grew 9.8 percent last year, while Chinese imports of French goods plunged 34.1 percent, according to French statistics.

Mr Zhao indicated that France should improve its competitiveness, particularly in relation to prices, and the quality of its goods and services. He also recognised, however, that China needed to adapt its exports to the French market and improve the climate for French investment in China.

Mr Raimond said that China was interested in undertaking large projects with France in areas such as transport, energy and scientific activities.

He said plans to build an aluminum factory in southern China and to modernise the underground railway system in Beijing "will be discussed during the next economic and commercial commission," due to be held here in June.

Mr Raimond told the French reporters that "China's open-door policies are important for Europe," and "can serve as an example to others."

France supported the transfer of technology to China more than any other country despite opposition from certain Western nations, he said.

French sources said Mr Raimond's visit to China confirmed "a convergence of views" concerning domestic policies in the Soviet Union.

"Chinese and French officials recognised the mobility of the new Soviet leadership and its willingness to proceed with reforms, while underlining that it was up to Mr Gorbachev to prove that progress can be made," a member of the French delegation said.

Mr Raimond was due to leave Beijing late Tuesday for an official visit to Pakistan.



## More on Press Conference

OW051438 Beijing XINHUA in English 1425 GMT 5 May 87

[Text] Beijing, May 5 (XINHUA) -- The visiting French Foreign Minister Jean-Bernard Raimond said the impression of his visit to China was that while China is opposing what is called bourgeois liberalization, it will continue to carry out its policy of opening to the outside world and reform.

He made this remark at a press conference he gave here this afternoon.

He said that there is no sign that China will change its policies.

He noted that he is the first French minister to pay a political visit to China since the new French Government came to office in March 1986, adding that France thinks China is playing an important role both in Asia and the world.

Compared with the good Sino-French political relations, he said, those of trade and economy are at a low level. The two governments have agreed to make efforts to improve them, he added.

Raimond said that China and France signed some important agreements in 1986 and hoped that other important ones will also be signed in the future.

The two countries have agreed to hold regular consultations over issues of strategy and disarmament between their foreign ministries, according to Raimond.

'NEWS ANALYSIS' EVALUATES UK'S JUNE ELECTIONS

OW020948 Beijing XINHUA in English 0643 2 May 87

["News Analysis: June Election Bandwagon Seems Unstoppable in Britain -- (by Cheng Kexiong)"] -- XINHUA headline]

[Text] London, May 2 (XINHUA) -- The June election bandwagon is running so fast in Britain that it now seems just unstoppable, observers here said.

Chairman of the ruling Conservative Party Norman Tebbit reportedly said last night, when he had discussions with conservative backbench members of parliament (MPs) on the election timing, that it would be "extremely difficult" for Prime Minister Margaret Thatcher not to go to the country next month.

The prime minister herself dropped her first public hint for an early election last week when she told Parliament that her policy argument with opposition parties would be "very soon" put to the electorate.

The electioneering atmosphere in the country has reached such a point that Parliament business has almost come to a standstill in the last few days as scores of MPs have deserted Westminster to prepare for the imminent election in their constituencies.

"This Parliament has reached virtually the end of its natural life," a conservative MP said last night.



A further indication of an early election came today when the government suddenly announced a decision to abandon its plan for the shallow disposal of nuclear waste in four sites in the English countryside, a plan the government had stuck to for years despite widespread opposition from the local communities.

Environment Secretary Nicholas Ridley insisted the government's change of mind had nothing to do with politics and that the plan was dropped simply because its economic advantages were not as great as originally thought.

Yet independent observers noted that all the four sites were in constituencies held by conservative MPs, three of whom being government ministers. They had been warned that their seats were at risk in the face of the local communities' strong opposition to the plan.

The Conservatives, observers agree, are now best placed to win a general election as recent opinion polls have persistently given them a comfortable lead over opposition parties in their popularity ratings.

A series of economic indicators, such as lower interest rates, lower unemployment statistics and favorable foreign trade figures for the first quarter of this year, have also convinced the Conservatives that it is now the best opportunity for them to go to the polls and win a record third consecutive term of office.

Meanwhile, analysts agree that the key to election timing is next Thursday's local council elections in England and Wales which involve some 70 percent of the country's voting population.

A detailed computer analysis of the local election results will be sent from the Conservative Party's headquarters to the prime minister by the end of next week. If these results confirm that the Conservatives are in a position to win a general election, then the prime minister is expected to make her final decision and announce the national polling day on the Monday after.

According to press reports, Thatcher and her advisers have already "provisionally" decided to choose June 11 as the general election date.

Should there be, however, an unexpected huge surge in the opposition parties' support -- a scenario which looks very unlikely -- the prime minister might postpone her final decision until autumn or even next spring.

But such a postponement might be seen as a sign of weakness or lack of confidence. Therefore, given the present high election fever, a June election seems almost inevitable no matter what happens in May local elections, some analysts said.

#### ZHANG JINGFU MEETS ECONOMIC DELEGATION FROM FRG

OW271206 Beijing XINHUA in English 1158 GMT 27 Apr 87

[Text] Beijing, April 27 (XINHUA) -- Chinese State Councillor Zhang Jingfu met here today Siegfried Lengl, secretary of state of the Federal Ministry for Economic Cooperation of the Federal Republic of Germany, and his party. Lengl is here as guest of the Chinese Ministry of Foreign Economic Relations and Trade. He attended a stone-laying ceremony for the construction of a building for Federal German experts working in Beijing and talked with officials of the Chinese Ministry of Foreign Economic Relations and Trade on bilateral cooperation.

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C H I N A  
PRC NATIONAL AFFAIRS

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FIRST MILITARY PARADE HELD IN SHANGHAI 1 MAY

HK050822 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0905 GMT 2 May 87

[Report: "Shanghai, First Military Parade"]

[Text] Shanghai, 2 May (ZHONGGUO XINWEN SHE) -- A large-scale grand military parade was held at the Navy's East China Sea Fleet training base on 1 May. This was the first of its kind held since the Chinese PLA entered and garrisoned Shanghai in 1949.

One thousand three hundred Navy troops carrying rifles or submachine guns formed 11 square formations behind a "1 August" Army flag and five Public Security Department cars that cleared the way. This mighty contingent marched vigorously in step on Youyi Road, Tonji Road, and Songbin Road, in the neighborhood of the Baoshan iron and steel complex in the northern suburbs of the municipality.

On both sides of the road for a total of 11.5 kilometers through which the military parade passed, more than 100,000 Shanghai residents watched this grand sight.

The military parade lasted nearly 2 hours. Before the parade began, a military review was held.

GONGREN RIBAO ASSERTS MARXISM NOT ANTIQUATED

HK050444 Beijing GONGREN RIBAO in Chinese 17 Apr 87 p 3

[Article by Zhang Yinxi (1728 6892 0823): "Socialist Modernization Cannot Proceed Without Marxist Guidance"]

[Text] In recent years some articles have said that since Marx did not know the electric lamp, Engels did not travel by plane, and Lenin did not watch television, their works cannot answer the questions China is now facing. This point of view virtually maintains that Marxism is outmoded and ineffective today when we are building socialist modernization. This is extremely wrong both in theory and in practice.

The history of the past 100 years and more since the birth of Marx in the middle of the 19th century tells us that, with development and changes in the world situation, Marxism is not antiquated but increasingly display its scientific nature and plays an important role in guidance. In terms of world outlook and methodology, the Marxist stand, viewpoints and methods are ideological weapons for the proletariat to understand the world and change it. Marxism is our guide to action and not a religious doctrine. It provides us with basic principles and methods for solving concrete problems. It is unlikely to provide us with ready-made solutions to all concrete problems, nor is it like an "encyclopedia" which can answer all questions. This means that in the process of the proletarian revolution and construction we cannot find ready-made solutions from the works of Marx, Engels, and Lenin for all concrete and practical problems we now confront. Only when we apply the tenets of dialectical materialism and historical materialism expounded in their works to analyze and approach all concrete and practical problems can we find the correct solution to all problems. Without the guidance of Marxism we are blind as a mole, we cannot tackle problems and we will make a mess of everything.

Consequently, the revolution and economic construction will meet with setbacks and mistakes. In this sense, Marxism is not powerless and helpless in solving concrete and practical problems. As long as we apply Marxism correctly we can certainly explain all problems in a scientific way, bring to light the internal essence of every problem and finally solve problems satisfactorily. Without viewing Marxism as a scientific world outlook and methodology, we just categorically deny its role of guiding us to tackle problems and come to the conclusion that "it cannot solve practical problems." This argument is untenable and wrong.

Making a comprehensive study of the modern history of our country and especially the history of the people's new democratic revolution and socialist revolution and construction in our country, we can easily see that the founding of New China and its successes in construction have all been achieved under the guidance of Marxism. During the democratic revolution of the old type many people with lofty ideals waged unremitting and arduous struggles to save China, but all of them failed. The obvious reason is that they did not have correct thinking as a guide. The "May 4th" Movement ushered in Marxism in China and its combination with the workers' movement led to the founding of the CPC; and with the birth of the CPC, the face of China took on an completely new look. There are no concrete plans for China's revolution and construction in Marxist works, but the Chinese communists found the right path through the new democratic revolution by applying Marxism in practice, and they were victorious, founded New China and achieved universally acknowledged successes in the socialist revolution and construction. Especially after the 3d Plenary Session of the 11th CPC Central Committee they formulated a correct line according to the basic tenets of Marxism, thus leading our country to the road of rejuvenation. No doubt, in the past we committed mistakes, and even serious mistakes, but these mistakes just showed that we ran counter to Marxism. Therefore, historical experiences, both positive and negative, prove that the people's revolution and construction in China will accomplish nothing if there is no guidance with Marxism. Marxism has been, is, and will be our ideological weapon for solving all practical problems.

In building China's modernization, carrying out reform and opening up to the outside world we still need Marxism as our guide because we will certainly be confronted with new problems and contradictions. To iron out these problems and contradictions the only thing we can do is consult Marxism and assimilate nourishment from it; this is the only way out. As long as we closely integrate the theory of Marxism with the practice of building China's modernization, carrying out reform and opening up to the outside world, Marxism can certainly help us explain, answer and solve the concrete and practical problems and contradictions we are faced with.

In brief, today Marxism is able to solve the current problems in our country and it is not antiquated; on the contrary, we still need it as our guide to action. For this reason, we must adhere to Marxism and study it. To this point, Comrade Deng Xiaoping pointed out explicitly: "Marxism is never a dogma, but a guide to action. In seeking solutions to new problems people are required to integrate its basic principles and methods with ever changing reality; thereby the theory of Marxism also develops." "We are now building socialism with salient Chinese features. Now that the times and tasks are different there is much new knowledge we should acquire. Thus we are all the more required to make an effort to master the basic tenets of Marxism in line with new actual conditions. Only by doing this can we apply the basic principles and methods of Marxism better to solve new political, economic, social, and cultural problems. In this way, we can push our cause and the theory of Marxism forward and prevent some comrades, and especially some young and middle-aged comrades who have just been promoted to leading posts, from getting lost in ever more complicated struggles." Knowing well the basic tenets of Marxist theory "can strengthen our sense of principle, systematicness, farsightedness and creativeness in work." [paragraph continues]



We must do what Comrade Deng Xiaoping has instructed; acquire a sound understanding of the scientific nature and guiding role of Marxism and study Marxism on our own accord. Meanwhile, in the practice of building modernization, carrying out reform and opening up to the outside world, we must use the Marxist stand, viewpoints and methods to study, analyze and solve all problems. Only by doing so will our cause to build socialism with distinct Chinese characteristics make unceasing progress.

#### WRITERS DENY PRESSURE TO RESTRICT WORKS

HK050851 Hong Kong HONGKONG STANDARD in English 5 May 87 p 7

[By Chan Wai-fong]

[Text] Recent criticisms by a leading Chinese writer, Mr Yao Xueyin, on China's literature should not be interpreted as an official clampdown by the party to further strangle Chinese writers' freedom of expression.

"He (Mr Yao) has his own view. But it only represents his and his group's stand," Mr Shao Hua, secretary of the Secretariat of the Chinese Writers' Association, said.

Mr Shao added that although Mr Yao was an adviser to the Chinese Writers' Association, he only offered his personal views on China's current literature.

Mr Yao, 75, the author of a popular trilogy about a peasant uprising during the end of the Ming Dynasty, is considered one of the most influential figures within Chinese literary circles.

In a lengthy speech delivered at a session of the Chinese People's Political Consultative Conference last month, Mr Yao accused his colleagues of stooping to vulgarity and egoism.

While criticising the proliferation of sex in literature, Mr Yao said: "Even some serious writers have fallen captive to bourgeois liberalisation and have started writing about sex and sexual psychology to corrupt the minds of young people."

Mr Shao, however, holds a different opinion. He said: "Literature cannot remain in a closed condition. It has to keep in touch with the concepts, techniques and methodologies of the West and merge with our tradition."

Commenting on sex literature, Mr Shao contended that mistakes should be allowed and young people should be free to explore and create on whatever subjects (sex being one) they thought appropriate.

"Let them try and have a look. And we shall have a smooth road after all the hurdles are removed," Mr Shao said.

Mr Shao and 14 other Chinese writers and publishers are presently in Hong Kong on a seven-day visit. They held a press conference at the weekend about current developments in Chinese literature.

Mr Li Guowen, editor-in-chief of the literature periodical, Section of Fictions, admitted that some of the literature on sex psychology were in bad taste.



He said that sex was still a sensitive issue in literature in view of the Confucius influence and that some people were resentful about the excessive depiction of sexual acts.

However, the general sentiment was that sex should be deleted from Chinese literature.

The Selection of Fictions, for example, has reprinted in its first issue this year the novel, Killing of the Husband, by a renowned Taiwanese feminist Writer Ms Li Ang.

A considerable portion of this novel describes the sexual relations of a couple in a small remote Taiwanese village.

The writers were emphatic that Chinese literature was not restricted and that the impact of ongoing conservative backlashes had been more positive than otherwise reported.

Mr Zhang Yigong, a member of the Board of Directors of the Chinese Writers' Association said that he had never received any directives from above telling him what should not be written.

"I have written some critical and sensitive issues in my novels. Instead of criticisms, I have received credits from other writers," he remarked.

The youngest and the only woman writer in the delegation, Ms Tie Ning, said: "I am thinking about our (writers) relations with the nation and the position of the country in the world at large. The struggle (against bourgeois liberalism) has been an exercise and it is positive," she said.

She added that young people were not restricted in their studies. "Writers will select themselves. We are not pawnbrokers of antiques nor fashion salesmen," she added.

For the more aged writers, the effects of the backlash have been less positive.

"There are worries. But it's normal," Mr Li of the Selection of Fictions said adding, that the impact had faded with the repeated assurances from various Chinese leaders.

When asked about "laxity" -- part of a slogan on literature by the former propaganda chief Mr Zhu Houze, Mr Shao maintained that could not apply to the two principles -- leadership of the Communist Party and socialism.

"However, it is acceptable in literature," he added.

Mr Shao denied that Ugly Chinese People by the Taiwanese writer Bai Yang and Lady Chatterly's Lover by D H Lawrence had been banned in China.

"The problem is that they have become so popular that it is very difficult to get a copy except at an excessive price," the secretary said.

Commenting about Mr Liu Binyan, the journalist and writer who has been expelled from the Communist Party, Mr Shao said Mr Liu was a professional writer and was still a vice-chairman of the Chinese Writers' Association.

MEDIA FORUM ON COMBATING BOURGEOIS LIBERALIZATION

HK281006 Beijing GUANGMING RIBAO in Chinese 21 Apr 87 pp 1, 4

[Report: "Forum Cosponsored by HONGQI, GUANGMING RIBAO and WENYI LILUN YU PIPING To Solicit Contributions to Opposing Bourgeois Liberalization and Consolidating Marxist Ideological Positions in Literature and Art"]

[Text] The Departments of Literature and Art of HONGQI and GUANGMING RIBAO, and the Editorial Department of WENYI LILUN YU PIPING held a joint forum in Zhuozhou City, Hebei Province from 6 to 12 April in an effort to solicit contributed articles on combating bourgeois liberalization. Participants in the forum exchanged views on carrying out the instructions by the party Central Committee in the literary and art sphere, upholding the four cardinal principles, combating bourgeois liberalization, and consolidating and developing a Marxist ideological position in literature and art; and they also discussed how to write a number of articles on these topics. After hearing a report on the result of the forum, Wang Renzhi, head of the party Central Committee Propaganda Department, pointed out: The meeting has been fruitful. He hopes comrades of the literary and art circles will conscientiously apply a series of instructions given by the party Central Committee to combat bourgeois liberalization in line with actual conditions, and better carry out Marxist literary and art critiques so as to make socialist literature and art more flourishing. Those who were invited to the forum were scholars, experts, professors, writers, critics, senior editors, and comrades in charge of the party committee propaganda departments of some provinces and regions. He Jingshi, deputy head of the party Central Committee Propaganda Department, delivered an important speech at the meeting, calling on all comrades to take up their pens and go forward hand in hand. Li Wenshan, deputy secretary of the Hebei Provincial CPC Committee, attended the meeting and made a speech. Xiong Fu, Lin Mohan, Liu Baiyu, Yao Xueyin, Chen Yong and Meng Weizai all delivered lengthy speeches at the meeting. Yao Xihua, editor in chief of GUANGMING RIBAO, made the opening speech at the meeting, and Ma Zhongyang, deputy editor in chief of HONGQI made the closing speech.

At the forum, all participants conscientiously studied the spirit of a series of documents issued by the party Central Committee and reviewed the origin and development of the ideological struggles emerging since the 3d Plenary Session of the 11th CPC Central Committee. This helped them acquire a clearer understanding of the important, long-term and complicated nature of the struggle against bourgeois liberalization, and made them much more confident about further upholding the four cardinal principles and making socialist literature and art flourish. They also discussed the characteristics of socialist literature and what has been gained and lost in recent years in literary creation and the theory of literature and art. They put forward their suggestions on improving writing style and expanding the ranks of Marxist theorists. Participants also aired their views on methods of literary and artistic creation, the essence and functions of literature, and the question of incorporating the modern concept of humanism and the theory of alienation.

All participants were of the opinion that the flood of bourgeois liberalization has been initially checked since the struggle against bourgeois liberalization was mounted at the end of last year, and that a "general atmosphere" of combating bourgeois liberalization is taking shape. It is time now for all comrades to take up their pens to write a number of critiques by compiling a great deal of material and making detailed studies. These critiques must uphold a clear-cut stand, be self-explanatory, combat-worthy, and well-organized. Whether or not we can write a number of articles criticising the views of bourgeois liberalization through positive examples has a direct bearing on carrying out the struggle against bourgeois liberalization in depth, and is related to our effort to strengthen theoretical building and conducting positive education.

All comrades participating in the forum held that the key to resolutely waging the struggle against bourgeois liberalization lies in properly understanding the necessity and importance of opposing the ideological trend of bourgeois liberalization. It is wrong to think that literature and art have nothing to do with bourgeois liberalization. Over the past few years, the ideological trend of bourgeois liberalization ran wild in literature and art. We are to uphold and try to perfect the socialist system, including socialist economic, political, and cultural systems. If our cultural cause deviates from the socialist track, it will be impossible for us to build a socialist spiritual civilization and to ensure a correct orientation in building our material civilization. In developing socialist literature and art with Chinese characteristics, we must always show courage in exploring new frontiers and blazing new trails. Without such courage, our literature and art will ossify and wither. However, in exploring new frontiers and blazing new trails we certainly must adhere to the socialist direction. The undertakings of revolutionary literature and art created by our numerous predecessors with their lives and blood will be forfeited if we take imitation of the West and "total Westernization" as the new trail and way out for literature and art.

With regard to relations between the ideological trend of bourgeois liberalization on the one hand and all other erroneous ideological trends on the other, the participants in the forum pointed out that they are linked with each other but different from each other as well. In the previous period some journals and publications relating to literature and art spread various decadent bourgeois views and theories. These have had a corrupt influence on the masses that should not be underestimated. These views and theories have prepared a cultural environment for erroneous ideological trends, while a few viewpoints have served as a theoretical basis for the ideological trend of bourgeois liberalization. Therefore the criticism against these erroneous viewpoints is an important prerequisite for overcoming the ideological trend of bourgeois liberalization. However, as these erroneous views are politically distinguished from bourgeois liberalization, and many of them fall into the category of academic thinking, to deal with them we must use different policies and methods. We must take a clear-cut stand in criticizing the ideological trend of bourgeois liberalization and all erroneous tendencies that deviate from the socialist road and the Marxist track. We must also comment on erroneous views on modern theories and trends in literature and art that have a bearing on political orientation and principles, so that our literary and art creation and theory will develop along the right track.

The forum participants deemed that it is necessary to foster and strengthen a contingent of theoreticians in socialist literature and art. Supported by writers who have attained a higher theoretical standard and who firmly adhere to the four cardinal principles while enthusiastically supporting the reform and opening-up process, this contingent should bring along the vast number of literary and art theoreticians and unite with writers that have been influenced by erroneous views and committed mistakes but are still willing to work for socialism. We must make particular efforts among young people, to discover researchers in Marxist literary and art theory, foster and support them in their work, and help them grow up healthily to carry forward the study of Marxist literary and art theory.

Many speakers at the forum pointed out: It is necessary to establish the new while destroying the old, and to integrate criticism against erroneous ideological trends with development of Marxist theories that are suited to Chinese needs. While criticizing erroneous tendencies, we must enthusiastically affirm and sum up all the positive and brilliant results of literary and art creation and theoretical studies. The central task of the theory of literature and art, is to study new circumstances and new problems and to interpret the laws governing the development of literature and art. [paragraph continues]



It is necessary to integrate Marxist world outlook, as well as Marxist conceptions on literature and art, with actual literary and art creation in the new period, and thus draw generalities from the practice. Failing to resolve new issues in a scientific way, we will never be able to completely overcome erroneous ideological trends. We must act strictly according to the actual situation in Chinese literature and art circles, replace wrong conclusions with correct ones, and dispel perplexity with science. Marxism will continue to develop through struggle. We must enrich and develop the Marxist theory of literature and art in taking the challenge of various erroneous ideological trends and in studying new circumstances and new problems.

The comrades attending the forum said that the struggle against bourgeois liberalization and other erroneous ideas coincided with the implementation of the "double hundred" policy. We should not set one aspect against the other, or lay stress on one and neglect the other. Some time ago, articles upholding the Marxist viewpoint were muzzled and not allowed to be published, while articles advertizing erroneous views were carried in newspapers without restriction. This phenomenon, which ran counter to the "double hundred" policy, was abnormal. It is our national policy, which has been written in the Constitution, to uphold the four cardinal principles and to adhere to reform and opening up. Whether the above principles are upheld should not be a topic of academic discussion. Within the limits of the Constitution, the rights and wrongs in theory should be judged through normal discussion and contention. Here, criticisms and views against these criticisms should be allowed. Comrades who are determined to uphold and develop Marxism should not be afraid of expressing their views and being labeled "ultra-leftist" and "activities in eliminating spiritual pollution." Meanwhile, they should not indiscriminately label others. Instead, they should persuade them by meticulous reasoning and attract them through scientific discoveries. We should consolidate and develop the Marxist literary and ideological front through contention.

On the question of the style of study and literature, comrades attending the forum pointed out that an unhealthy style of study and literature spread unchecked in literature and art circles some time ago. Certain articles coined concepts which were difficult to understand. Instead of making assiduous study of the objective reality, some people concocted their own theory behind closed doors, or replaced their creation with "new terms" and "new concepts" copied from Western works. The vulgar ways of logrolling spread in assessing literary creation as well as among certain theoretical workers. Comrades attending the forum said that integrating theory with practice, and seeking truth from facts, was necessary to foster a correct style of study. Those engaged in literature and art theoretical work should have a strong sense of social responsibility and serious scientific spirit. They should regard theoretical activities as a process of scientific research so that their articles will become the research achievements of Marxist literature and art theory, rather than the means and commodity to fish for fame and compliments, fawn on foreigners, and seek remuneration.

The forum, sponsored by HONGQI, GUANGMING RIBAO, and WENYI LILUN YU PIPING, strengthened the links between the editorial departments and writers of the three periodicals, and created favorable conditions for upholding the four cardinal principles and carrying out the struggle against bourgeois liberalization in literature and art circles in the days to come.



A total of 120 people attended the forum. They included Ding Ximan, Wang Yunbo, Yi Zaiqin, Ye Shuifu, Liu Jin, Liu Xicheng, Liu Shaoshang, Zhang Qiong, Fan Yongge, Zhou Shenming, Zhou Liangpei, Jin Zhe, Wu Yuanmai, Chen Zaochun, Chen Miao, Lu Meilin, Lu Guishan, Li Xifan, Li Zhun, Xu Feiguang, Yang Bing, Yang Zhengrun, Yang Ancang, Guo Zhigang, Liang Guangdi, Hu Daiwei, Tang Yin, Wu Zhaoling, Min Ze, Qian Zhongwen, Jiao Zhuyao, Cheng Shushen, Cheng Daixi, Bao Chang, and Han Ruiting.

#### RENMING RIBAO ON PENG ZHEN'S TOUR OF JIANGXI

HK050121 Beijing RENMING RIBAO in Chinese 2 May 87 p 1

[Report by correspondent Zhao Xiangru (6392 4161 1172): "Standing Committee Chairman Peng Zhen at Jinggang"]

[Text] In April, the trees of Jinggang looked fresh and green. The azaleas were in full bloom and the soaring waterfalls flowed swiftly. "I have not been to Jiangxi over the past 20 years, or so. I have come here this time to see the people of the old liberated areas. Jinggangshan was the cradle of revolution and the first revolutionary base established by our party. A single spark can start a prairie fire. Jinggangshan was the largest spark." Despite the high mountains and long distance, Chairman Peng Zhen, who is now 85, followed the route where Zhu De joined Mao Zedong 60 years ago.

Peng stopped at Sanwan, a juncture of Hunan and Jiangxi Provinces. Under a huge maple which stretched to the skies, a comrade of the old liberated area told Peng Zhen: During those years, Mao Zedong led the troops of the Autumn Harvest Uprising to this place and laid down the principles of setting up party branches at the company level and establishing the party's absolute leadership over the Army. In history, it is called the Sanwan reorganization. Chairman Peng nodded and said: "This was an extremely important principle." Full of zest, he took a photograph with the local cadres and masses under the tree. Then he walked with vigorous strides to Zhuziping Village of Sanwan Township. All the 15 households in the village lived in two-storey brick and tile houses. Peng visited the living room of the first household and asked the owner: "How are you getting on?" The owner replied with a smile: "We have raised four pigs and six head of cattle. We have land and mountain plots. One of my sons is serving the Army in Guangzhou. The five members of my family are leading a good life." Peng Zhen asked: "How old are you?" "Sixty-two," replied Long Funian, the owner, who was secretary of the village party branch for 20 years. Now he is leading the village people on the road to prosperity. In a cheerful mood, Chairman Peng took a photograph with the whole family in the living room.

While in Maoping, Peng Zhen visited the former residence of Mao Zedong and Zhu De as well as the Red Army hospital and the quarters of the Red Army soldiers. At the Longjiang Academy in Ninggang, the cadres of the Soviet Government and leaders of the Red Guards during those years are all over 70-years-old. They sat around Chairman Peng and went on chatting. Xie Meixiang, who was a soldier under General Li Su, whispered in Peng Zhen's ears with gestures for fear that he could not hear clearly. Peng Zhen listened carefully and smiled from time to time.

Surrounded by mountains, Ciping is the center of Jinggangshan. Standing at the top of Nanshan and looking afar, Chairman Peng cherished the memory of Mao Zedong, Zhu De, Chen Yi, Peng Dehuai, and Luo Ronghuan, the old comrades-in-arms who established the revolutionary base of Jinggangshan. He stood in silent tribute in front of the Red Army martyrs tomb in Xiaojing ...

During Peng's stay in Jinggangshan, the cadres of Lianhua County, Zhuchuan County, and Jinggangshan City also gave him an account of their efforts made to lead the people of the old liberated areas to the road to prosperity. Comrade Peng Zhen said in earnest: "We should use the revolutionary spirit of the past to carry out construction and make concerted efforts to tide over all difficulties."

#### PENG ZHEN INSPECTS SHENZHEN SPECIAL ZONE

NK060546 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1315 GMT 5 May 87

[Report: "Peng Zhen Says that Shenzhen Special Economic Zone Construction Is Successful"]

[Text] Guangzhou, 5 May (ZHONGGUO XINWEN SHE) — NPC Standing Committee Chairman Peng Zhen recently inspected Shenzhen, and he pointed out during the inspection that practice in recent years has shown that the construction of the special economic zone is successful and that the special economic zone will certainly be run better.

Peng Zhen, 85, flew to Shenzhen from Jiangxi on 1 May. He inspected the urban construction there in the company of Guangdong provincial leaders Lin Ruo, Luo Tian, Song Zhiying, and Shenzhen Mayor Li Hao. When he went to the top of the 53-story international trade building to get a bird's-eye view of the city, Peng Zhen said happily: I visited Shenzhen in 1980, and it was just a small town at that time. Now there are so many high-rises, I cannot even recognize it. I am really glad to see such changes.

During the few days' inspection, Peng Zhen visited the Zhonghua bicycle company, the Dongfang drink company, the Huali foodstuff company, and some other Chinese-foreign joint ventures and domestic joint ventures. He also visited the Shenzhen Industrial Exhibition and the Shekou industrial zone.

After the inspection, Peng Zhen said that we can affirm the correct orientation of Shenzhen's development. Today, Shenzhen has created a rather favorable investment environment. So long as it makes great efforts to develop the productive forces and promote the development of an outwardly oriented economy, Shenzhen will certainly be built into a more beautiful city.

#### GUANGMING RIBAO ON SLANDERED HISTORICAL GENERAL

NK270911 Beijing GUANGMING RIBAO in Chinese 8 Apr 87 p 3

[Article by Gao Min (7559 2404): "What Made it Difficult for Li Guang To Win a Fief?"]

[Text] Detailed descriptions of Li Guang's character are found in the "Records of the Historian" and the "History of the Han Dynasty." To resist the Huns' invasion and to drive them away, Li Guang participated in more than 70 major and minor battles against them. The Huns shivered with fear on hearing that he was approaching and they referred to him as the "Flying General of the Han Empire." As a man, however, he was honest, upright, and forthright and his conduct was untarnished. And yet, in spite of his outstanding ability, his military competence, his distinguished service, and his untarnished exemplary conduct, he was not made a lord. His death was tragic — he killed himself by cutting his throat. However, Li Cai, his cousin, whose ability was far inferior to his, became a "marquis and one of the three highest officials in the land." [paragraph continues]

Li Guang showed his disappointment at this. People have since been sympathetic toward him and agreed with a sigh that "it was indeed difficult for Li Guang to win a fief!"

Why was it "difficult for Li Guang to win a fief"? His contemporaries (including Li Guang himself) provided three answers to this question: One theory was that his fortune and his career were kept in check by circumstances. The remarks by Emperor Wen of the Han Dynasty represent this view. He regretfully said: "What a pity you were not born at a different time. Had you lived during Emperor Gao's reign, you would easily have won a fief with 10,000 households!" What Emperor Wen seems to have meant was that since Han rule over the country was already well established and since there were already too many distinguished statesmen and senior generals, the circumstances then did not permit Li Guang to give full play to his ability. The second theory was that his lack of luck was a retributive effect. A geomancer named Wang Shuo was a representative advocate of this theory. This geomancer suggested that the fundamental reason why Li Guang was not awarded a fief was that he massacred the more than 800 Qiang tribesmen who surrendered to him. And the third was a fatalistic theory offered by Li Guang himself as an explanation. He said to Wang Shuo: "I have been in every Han campaign waged against the Huns, yet while several dozen officers of no more than average ability have been made marquises for their services, I have neither been cited for merit nor granted a fief, although I am not inferior to them. Why? Have I got the wrong face and wrong looks for a marquis? Or is this a matter of fate?" Obviously, this is a fatalistic point of view.

From a Marxist point of view, Wang Shuo's theory of retribution is nothing but a superstitious belief dictated by a geomancer's conception of the world. Li Guang's fatalistic theory is also superstition. Even he himself might not believe that it was a matter of fate. Thus, neither of these two explanations can correctly answer the question why "it was so difficult for Li Guang to win a fief." As for Emperor Wen's theory that it was a matter of circumstances, although it contains a grain of truth, it does not completely agree with the circumstances of the moment. Although Emperor Wen's reign was quite peaceful, the strong Hun tribe, which was then quite powerful, was arrogant and threatening the country. Thus, able generals like Li Guang were needed. Although Li Guang had distinguished himself in action in campaigns against the Hun tribe and had demonstrated his military competence and devotion in the presence of Emperor Wen, the latter, however, did not put him in an important position. Obviously, Emperor Wen could neither avoid being blamed nor justify himself by saying "what a pity you were not born at a different time." In addition, during the reigns of Emperor Jing and Emperor Wu, Li Guang was frequently assigned as prefect and general to fight the Huns and consolidate frontier defense in border areas. However, he was never put in an important position, not to mention being awarded a fief. Thus, one cannot explain all this by saying that "it is a pity that he was not born at a different time"!

What, then, made it "difficult for Li Guang to get a fief"? I think there were two things: First, the government at that time selected people not by virtue and competence, but by age. Second, there were jealous people who smeared and slandered Li Guang. I will discuss them separately in the following paragraphs:

As for the former, it can be illustrated by a brief account of how Emperors Wen, Jing, and Wu appointed their officials and ministers. Of the 10 persons awarded fiefs by Emperor Wen (excluding the empress' relatives and his own sons), four, namely Liu Jie, Marquis of Yangxin, Song Chang, Marquis of Zhuangwu, Cai Jian, Marquis of Fan, and Shentu Jia, the Marquis of Guan, were senior statesmen. They were followers of Emperor Gao and founding fathers of the empire. The other six died several years, or at most a dozen years, after they were awarded fiefs. [paragraph continues]



For details, see "List of Officials and Ministers Who Rendered Meritorious Service During the Reigns of Emperor Gao, Emperor Hui, Empress Gao, and Emperor Wen," in "History of the Han Dynasty." Of the 18 persons awarded fiefs by Emperor Jing for their distinguished service (excluding the empress' relatives and his own sons), most had distinguished themselves in the course of the suppression of the Seven States' Revolt. The others were mostly "minor Hun chieftains" who surrendered to the Han. Thus, few of them were young people when they were awarded fiefs. ("History of the Han Dynasty," "List of Officials and Ministers Who Rendered Meritorious Service During the Reigns of Emperors Jing, Wu, Zhao, Xuan, Yuan, and Cheng") As for the posts of grand marshal, chief counselor, and censor in chief, and the nine chief ministers, since Emperor Wen quelled the rebellion of the Lu Clan with the help of such senior ministers as Chen Ping and Zhou Bo, these two men, and Guan Ying, Zhang Cang, Shentu Jia, and some other senior ministers successively became his chief counselor. During Emperor Jing's reign, Shentu Jia, Tao Qing, Zhou Yafu, and Wei Wen were successively appointed as his chief counselor. We can take Shentu Jia as an example. Shentu Jia "followed Emperor Gao in the latter's campaigns against Xiang Yu." ("History of the Han Dynasty," "Biography of Shentu Jia") During the reign of Emperor Jing, most of his grand marshals, chief counselors, and censors in chief, and the nine chief ministers were old officials or senior soldiers. Although Emperor Wen put Jia Yi and Chao Cuo, who were then quite young, in important positions, the other ministers and officials tried to oust them from office. Eventually, one of them was demoted and sent into exile, while the other was killed. Were there any able people among the young people then? Facts tell us that there were. Let us take Feng Tang as an example. During Emperor Wen's reign, as a "lieutenant to the chief of the palace guard," Feng Tang dared to speak frankly and boldly to the emperor. He recommended to the emperor all the able people he knew and gave no thought to personal danger. However, the highest post ever held him was that of chief minister of the Chu State. During the reign of Emperor Wu, vigorous efforts were made to look for able people. The emperor would bypass the regulations to appoint them to various posts. Feng Tang was among the people recommended. However, he was then already over 90 and "could no longer serve as an official." ("Records of the Historian," "Biography of Feng Tang") Thus, it can be seen that Feng Tang was not appointed to important posts during the reigns of Emperors Wen and Jing precisely because of his young age and lack of experience then at that time. However, by the time Emperor Wu was searching for able young people, he had become too old for anything. Thus, there were people who regretfully said: "Feng Tang aged so easily!" After ascending the throne, Emperor Wu discarded the guiding principle of "rule without ado," which was adhered to in the early years of the Han Dynasty. New practices were adopted in the selection of able people. For example, he bypassed the country's regulations to appoint able people to various posts. The famous Generals Wei Qing and Huo Qubing were appointed by him simply because they were young and able kinsmen of the empress. However, Emperor Wu never entrusted important tasks to old and physically weak generals. Li Guang was a striking example. When Wei Qing was made the emperor's grand marshal, Li Guang was over 60. However, he pleaded to be allowed to go with Wei Qing to fight the Huns. Emperor Wu "considered him too old and did not allow him to go." Later, although he reluctantly consented and appointed him general of the vanguard, he secretly warned Wei Qing that "Li Guang must not be allowed to engage the Hun khan because he is old and his luck has always been bad, and therefore he may fail." ("Records of the Historian," "Biography of General Li") Influenced by the emperor, Wei Qing did not think much of Li Guang. Thus, it can be seen that the practice of selecting officials solely by age could be one of the reasons why Li Guang failed to earn a fief when he was young and was not entrusted with important tasks when he was old, and why Feng Tang was not appointed to an important post when he was young and was unable to do anything, although he was recommended, when he was old.

Regarding the second reason mentioned above, although an attempt was made in the "Records of the Historian" to cover it up, a few clues can still be found. The Seven States' Revolt broke out shortly after Emperor Jing came to the throne. Although Li Guang had distinguished himself in the campaigns against the seven states, he was not awarded a fief. However, many others were awarded fiefs in recognition of their distinguished service during these campaigns. Among these was Gongsun Kunye (alias Gongsun Hunye), whose contributions were not particularly impressive (and yet who was made the Marquis of Pingqu). Why? According to historical records, the reason is simply that Li Guang had received the seal of a general from King Xiao of the State of Liang. We know that there were contradictions between Emperor Jing and King Xiao of the State of Liang. Knowing that King Xiao of the State of Liang thought highly of Li Guang, Emperor Jing was very displeased. Given this, those who were jealous of able people knew how to destroy Li Guang. Facts tell us that that was indeed the case. Li Guang was not only not awarded a fief for his distinguished service, he was almost immediately "transferred to Shanggu as its governor." He did not fail to distinguish himself in Shanggu, where he frequently fought the Huns. However, Gongsun Kunye, who was then "director of vassal states affairs," said to Emperor Jing: "There is no braver or more brilliant officer in the empire than Li Guang, but conceitedly trusting to his own ability he never loses a chance of engaging the Huns. And I am afraid he may defect to the Huns." In this way, his ability brought him the charge that he "conceitedly trusts to his own ability" and the fact that he frequently fought the Huns was used against him, as evidence that he wanted to defect. Already displeased with Li Guang, Emperor Jing listened to Gongsun Kunye and believed what he said. Subsequently, Li Guang was transferred to the governorship of Shang Prefecture. Afterward, Li Guang served in various border regions. He was never put in an important position, not to mention not being awarded a fief. Why did Gongsun Kunye want to destroy Li Guang? He was well aware of Li Guang's ability and character because they were in frequent contact. His jealousy could have developed from his knowledge that Li Guang was an able man. Li Guang was neither awarded a fief nor made a lord, although he had spent more than 40 years in border regions.

Gongsun Kunye did not stop trying to destroy Li Guang after he was deprived of his fief. Gongsun He, his son, was the husband of Wu Bu, elder sister of Grand Marshal Wei Qing. Wei Qing was fond of him. Gongsun He had participated in seven campaigns against the Huns as a general. Although "he had done nothing particularly impressive, he was twice awarded a fief and was once the emperor's chief counselor." ("Records of the Historian," "Biography of Wei Qing and the General of Swift Cavalry.") In addition, there was also a man named Gongsun Ao, who was a fellow townsman of Gongsun Kunye. Because of his friendship with Wei Qing, the latter was also fond of him. When Li Guang, as "general of the vanguard" and under the command of Wei Qing, went on the above mentioned expedition against the Huns, Wei Qing ordered Gongsun Ao, not Li Guang, to engage the Hun khan. Li Guang and his men were put under the command of Zhao Yiji, the general of the right, and they were ordered to approach the Hun camp by a roundabout route. Unfortunately, they failed to join forces with Wei Qing on time. Wei Qing's bias in favor of Gongsun He and Gongsun Ao and his making things difficult for Li Guang should not be unrelated to the old grudge between Gongsun Kunye and Li Guang. Thus, Emperor Wu did not reward Li Guang with a fief in spite of the latter's distinguished service. All this can be viewed as a further attempt by Gongsun He and Gongsun Ao in collaboration with Wei Qing, to destroy Li Guang.

#### BANK OF CHINA BEGINS SELLING YUAN BONDS 5 MAY

OM041214 Beijing XINHUA in English 1204 GMT 4 May 87

[Text] Beijing, May 4 (XINHUA) -- Starting tomorrow, the Bank of China will begin selling 500 million yuan (135 million U.S. dollars) of bonds to Chinese residents for Chinese currency.



This is the first time for a Chinese bank to issue bonds in the country. The bonds will be available in denominations of 100 yuan (27 U.S. dollars) and 500 yuan (135 U.S. dollars), and both will have an annual interest rate of 9 percent and a term of one year.

The bonds will be sold by the Beijing head office and many local branches, and funds raised from the sales will be used as loans for expansion projects and the construction of Sino-foreign joint ventures, urban collectively-run businesses and foreign trade enterprises, a bank spokesman said.

The Bank of China has already issued bonds nine times in U.S. dollars, Japanese yen and FRG DM on international financial markets, and by issuing bonds in Chinese currency the bank hopes to expand its source of capital, the spokesman added.

#### JINGJI GUANLI ON ADJUSTING DEMAND TO REFORM CREDIT

HK040426 Beijing JINGJI GUANLI in Chinese No 2, Undated, 1987 pp 25, 26, 27-28

[Article by Wang Zhuo (3769 3870) and Liao Shuhui (1675 2562 6540): "Effectively Adjust Social Demand To Speed Up the Reform of the Credit Structure" — edited by Lin Daojun (2651 6670 0689)]

[Text] Over the past several scores of years credit inflation and credit depression have appeared alternately in our country, leading to fluctuations and disturbances in the national economy. Since a planned economy is noted as being able to consciously regulate balancing, why has the balance repeatedly been artificially broken, leading to credit inflation? The cause lies in a drawback in the traditional pattern of the economic structure which is called the "disease of hunger for investment." This being the case, who will satisfy the hunger of those people infected with this disease? And where will the funds come from to fulfill this purpose? There is a proverb that says "The cleverest housewife cannot cook a meal without rice." However, this peculiar institution of the banks is cleverer than the cleverest housewife and is adept at cooking meals without rice. This is because banks hold the "modern weapon" of banknote issuance in their hands and through it can find a solution for the excess distribution of national income, namely, currency inflation. And what is more unique is that it can bring about the spontaneous appearance of rebalancing currency depreciation and an increase in commodity prices. If the increase in commodity prices is kept under control, then there will be a shortage of products and rebalancing cannot spontaneously appear. Hence, in order to ensure the sustained and stable growth of the national economy it is necessary to pay close attention not only to enlivening the merging of funds but also to studying how, from the high angle of effectively adjusting social demand, to look for a new road to reforming the banks' credit and loan structure.

Under the existing credit and loan structure of the banks, there are three stages of "everybody eating from the same big pot:" 1) In central finance "everybody is eating from the same big pot" at the expense of the banks' credits and loans; 2) in enterprises, "everybody is eating from the same big pot" at the expense of the banks' credits and loans; and 3) among specialized banks at various levels, "everybody is eating from the same big pot" at the expense of the central bank. And where is the "kitchen" of these "three big pots"? The answer lies in the excessive issuance of currency. Hence, to probe for a new way to reform the banks' credit and loan structure, the central point is how to solve the structural contradiction of the excessive issuance of banknotes. The way to solve it lies in smoothing out the following three relationships at the macroeconomic level:



# 1. Smoothing out the relationship between central finance and the central bank.

In the 1950's the adoption of the principle of the unified balance of financial revenues and expenditures and banks' credit and loan funds was correct in direction and reaped good results. But the situation has changed in recent years. Whereas the economic situation has become better year after year, central finance has been in the red for several years in succession. What was especially unique was that whatever figures were in the red in central finance, all that was needed was an overdraft from the central bank and the matter would be solved that easily. In doing this the situation may be likened to central finances "playing host" and the central bank "footing the bill," and to a new pattern, a situation in which financial expenditures edge out credit and loan funds. But what if the credit and loan funds of the bank are insufficient? Then reliance must be placed on the issuance of banknotes, excessively increasing the volume of the money supply and directly expanding the currency basis of the central bank. An issuance of banknotes of this kind is an issuance of a financial nature. It inevitably brings about inflation in social demand. The results are currency inflation, a rise in commodity prices, the enterprises loudly claiming they cannot bear the pressure and the populace likewise airing their grievances that the burden is too great for them. In the case of certain means of production which are not permitted to rise in price, they will become short in supply and supply will lag behind demand. In the reform of the economic structure in recent years, we have frequently met with this contradicting phenomenon: On the one hand, people have daily been talking about control over balancing the social gross supply with social gross demand, and striving to gradually form a suitable buyers' market. On the other hand, a gap is opened for inflating social demand -- central finance meeting its red figures promptly through overdrawing from the central bank, a measure which again strains the market's supply and demand relations after they have for a time been stabilized.

Allowing central finance to meet its deficits through overdrawing from the central bank is in reality allowing the edging out of the enterprises' circulating funds for the purpose of expanding the scale of fixed assets investments. This is one of the basic causes why the "hunger for investment" is satisfied and the often-repeated inflation of the demand for fixed assets investments and is also the basic cause in bringing about the proportionate imbalances in the distribution structure of the accumulated funds -- a shortage of circulating funds and inflation in fixed assets investments. A relationship of this kind between central finance and the central bank cannot effectively regulate social demand and cannot realize a macroeconomic balance in the distribution of national income.

Hence, in studying the reform of the banks' credit and loan structure, the current urgent tasks are the structural smoothing out of the relationship between central finance and the central bank, definitely affirming the central bank's independent status in macroeconomic management and control, and clearly determining the new relationship between central finance and the central bank. Red figures in central finance cannot depend on the solution of overdrawing from the central bank, only on the issuance of government bonds which the central bank should do to serve central finance by selling government bonds. This type of relationship between central finance and the central bank can fundamentally prevent the excessive distribution of national income from finding a loophole in the issuance banknote of a financial nature. At the same time it can macroeconomically solve the contradiction of the "old difficulty" of fixed asset investments edging out enterprises' circulating funds.

# 2. Putting the relationship between central finance and specialized banks in order.

Following the annual development in old enterprises' production and the gradual increase in the number of new enterprises in operation, the volume of circulating funds required by enterprises will also inevitably increase from year to year. But where can the required funds for replenishing and gradually increasing circulation come from? At present, enterprises' after-tax retentions tend to be marginal and generally speaking "technological transformation relies on loans, bonuses and fringe benefits depend on profit retentions, and circulating funds can hardly find a place to queue up." The measure of relying on the financial budget to appropriate 30 percent of enterprises' circulating funds has in reality not been realized. Therefore, the main sources of increasing enterprises' circulating funds are: residents' increased deposits in their saving accounts, profits of specialized banks, and the issuance of banknotes by the central bank.

Of residents' increased savings, a portion may be utilized as circulating funds. At present, there is still substantial potential in resident's saving but the rate of their increase should not be too fast, otherwise this may lead to the depression of the market's absorption capacity and result in enterprises' products piling up in warehouses due to stagnated sales. Once such a situation appears, then the increases in residents' savings should be treated as offsetting the funds consumed in the products now being stockpiled and cannot be employed to replenish the normal requirements for circulating funds.

The profits of specialized banks should be the principal source for replenishing credit and loan funds. However, at present the profits of specialized banks are delivered to the principal bank level-by-level, following which over 60 percent of the profit funds are delivered to central finance. (The centralized banks in Guangdong Province remit 80 percent of their profits to their head office for delivery to central finance.) Central finance thus centralizes the great proportion of various banks' profits but its annual budget makes no reservation for any amount of funds to increase the credit and loan funds of specialized banks. In sum, this is tantamount to central finance using the method of edging out circulating funds to expand the scale of fixed asset investments.

Banknotes by the central bank issued to meet the normal requirements of economic growth fall in the category of the economic issuance of banknotes. These may be used to supplement the need for circulating funds, but the volume of banknotes involved in this economic banknotes-issuance must be determined based on the economic growth rate and the currency circulation speed and cannot be used as a measure to supplement the debit or credit balances of the country's credit and loan funds. In other words, we cannot follow the volume of demand for circulating funds and then increase the issuance of banknotes in identical volume, otherwise this will make the volume of banknotes issued surpass the normal needs of economic growth and thereby may lead to currency inflation and a rise in commodity prices. Following a rise in commodity prices, naturally the demand for correspondingly increasing the volume for circulating funds required will arise. In our opinion, banknotes issued surpassing the needs of economic growth cannot satisfy the demand for increasing enterprises' circulating funds. This is a deadend alley.

What should be the way out? The answer is that on the macroeconomic level we must smooth out the profit distribution relationship between central finance and specialized banks. The following measures are available for selection: 1) Of the specialized banks' profits they should retain the main portion to serve as credit and loan funds; 2) Of the specialized banks' profits still to be delivered to the central finance, based on the required amount to balance the year's credit and loan funds, determine the amount of increased appropriations to credit and loans funds of specialized banks. [paragraph continues]



On the premise of selecting one of the two above-mentioned measures, we shall carry out the reform of the management and control system of circulating funds and break the practice of enterprises and everybody else eating from the same big pot at the expense of banks' credits and loans. Banks will not condescend to supply enterprises with circulating funds. Enterprises may select for themselves in which banks they wish to open their current accounts and to take out loans from. For their part, banks can select clients just as well as shift the basis for granting loans to include due consideration for an enterprises' reputation, their economic benefits, and their capability to repay loans.

On the macroeconomic level, putting the profit distribution relationship between central finance and the specialized banks in order can macroeconomically fill the gap wherein fixed assets investments have been edging out circulating funds, and open an important channel for supplementing the sources of circulating funds, and at the same time form in finance a mechanism for fixed assets investments to self-regulate and self-control demand. This provides the macroeconomic conditions for making specialized banks operate as regular enterprises and for the formation of financial and currency markets.

### 3. Smoothing out the relationships in credit and loans funds between banks.

In 1984 the central bank system began in our country and in 1985 the enforcement of the credit and loan funds management structure based on the principles of "unified planning, demarcation of funds, real debits and real credits and reciprocal merging of funds began". The direction taken was a correct one. Nevertheless, the structure of "everybody eating from the same big pot" at the expense of the banks' credit and loan funds has basically not yet been solved. The volume of the economic banknotes issued and the planned balancing of credit and loan funds determined have lacked a scientific basis. Between the People's Bank and the various specialized banks, the system of management according to planned targets is still being enforced. The practice among the banks of "everybody eating from the same big pot" system necessarily causes the formation of a mechanism for demanding the self-expansion of credit and loan funds among various levels of specialized banks. Under this a credit and loan structure neither the head office of the central bank nor the head offices of specialized banks can effectively regulate social demand. Unable to control credit and loan funds, the next step is to rely on controlling the scale of credits and loans directed to lower levels. But since these credit and loan scales and the sources of credit and loan funds are dislocated from each other, the resultant situation is one of "hopelessness." As we see it, the key to the problem of credit and loan funds lies in specialized banks at various levels not only forming a mechanism for actively opening sources by themselves but also a mechanism to self-restrain the demand for credit and loan funds and thus effectively regulating the demand for credit and loan funds. Once this problem is solved, the problem of credit and loan inflation can basically be solved. In order to form a mechanism for specialized banks to self-restrain the demand for credit and loan funds, in the credit and loan structure it is necessary to put the relationship between banks' credit and loan funds in order. The general idea is that we must enforce the macroeconomic management structure of banks' credit and loan funds by levels.

1. The authority to issue banknotes should be centered in the head office of the central bank, free from interferences of red figures in central finance and also free from intervention of any gap in the balancing of credit and loan funds planning. This will be the main "switch" in controlling the macroeconomic balance and the structural coordination of the country's credit and loan funds. [paragraph continues]



Through holding tight in its hands this main "switch" of controlling the banknotes issued, the head office of the central bank can fill the gap of allowing banknote issuance of a financial nature, of allowing inflated demand for credit and loan funds, and prevent the appearance of the phenomena of fixed assets investments edging out circulating funds and inflation in the demand for credit and loan funds. Only in the event that the state incurs an urgent and accidental need can banknote issuance of a financial nature be allowed and, at that, the amount involved should be approved by the NPC Standing Committee. Naturally, a structure is not all-powerful. It is still necessary to have a democratic and scientific macroeconomic decisionmaking system to ensure the correctness of the decision on the exact gross volume of economic banknotes issued.

2. Macroeconomic control at different credit and loan fund levels should be enforced by the central bank. Regardless of whether the control of the credit and loan funds is mainly under the departments or the regions, the main portion of funds should be held and handled by specialized banks mainly through discount loans, while the central bank should handle only a small portion of temporary loans. By doing so the central bank is able to concentrate its forces on performing a good job in currency control and on using the various economic levers to regulate the currency market. On this basis, level by level the central bank will determine the lower level's base figures for targets of temporary loans and discount loans, carry out regulations and uses at different levels, and determine the amount of regulations and uses of funds at different levels. We should gradually expand the capability of central banks in large cities and towns to regulate funds and their authority to enforce "real debits and real credits" should rest with the central banks in cities and towns. Through exercising macroeconomic control at various levels of the credit and loan funds of the central bank, it is possible to ensure the upper-level central banks regulation and use of temporary loans according to needs and at the same time provide the central banks in cities and towns with a suitable and stable degree of decisionmaking power in the operations of temporary loans.

3. Macroeconomic control at different levels of specialized banks' credit and loans funds should be enforced. Regardless of whether the control of specialized banks' credit and loan funds is mainly under departments or regions, we should gradually enlarge their decisionmaking authority in the operation of credit and loan funds of the specialized banks in large cities and towns, and carry out divisional and level-by-level macroeconomic management — loans for circulating funds must be linked with deposits and the divisional level-by-level control system of "more deposits more loans." Under current conditions, regarding the loan funds which the head office of the Central Bank provides to the head offices of specialized banks as stipulated in the state plan, specialized banks should, within their own framework, control divisional level-by-level floating balances. The concrete method of procedure is, on the basis of the stabilized (unchanged for several years) base figures of credits, debits and balances of specialized banks at various levels, the upper-level banks, based on the growth rates of loans over the preceding year fixed by the state plan and using the same growth rate, to make allocations, level-by-level, to lower-level banks which have debit balances. The latter banks at various levels are now allowed to exceed the loan allocation targets fixed by the state plan and must also be responsible for balancing the receipt and outlay of credit and loan funds. Alternately, it is also possible level by level to separately set the ratio occupied by loans in lower-level banks' plans out of the total amount of loans in upper-level banks' plans to remain unchanged for a succession of years. Based on the increase or decrease in the loan target envisaged in their plan, upper-level banks, according to the above-mentioned ratio, determine increases or decreases in lower-level banks planned loan targets. Banks which have credit balances may, according to their respective conditions, determine to progressively increase, or progressively decrease, or fix, amounts of credit balance. This is to remain unchanged for a number of years.

Institutionalizing the divisional level-by-level macroeconomic control of credit and loan funds forms a mechanism whereby banks at various levels can assert self-restraint in demand for credit and loan funds. Thus, in the mechanism we can fund an internal force for controlling the scale of inflation in credit and loans. On this basis it will be possible to break the bondages imposed by departments and regions, open up various kinds of financial markets, greatly develop diversified forms of the vertical and lateral merging of funds, extensively promote and use the diversified kinds of credit instruments, speed up the formation of financial markets and steps in making specialized banks operate as regular enterprises and generally prepare the conditions for an all-round reform of the financial and currency structure.

We believe that the strategic breakthrough point in replacing the pattern of the old with the new structure lies in the macroeconomic level and in the formation of a new macroeconomic regulation pattern and that the breakthrough point of the latter lies in the reform of the credit and loan structure. Only through the formation of a new mechanism in the reform of the credit and loan structure for effectively regulating social demand is it possible to effectively control the volume of economic banknotes issued, to effectively regulate the gross scale of credits and loans, to fill the gap allowing the excessive distribution of national income, and to provide the necessary conditions for an all-round reform of the financial structure. By doing this it will be possible to avoid the abnormal and artificial situation of credit and loan inflation or that of a tight financial sector, overcome the violent reverberations in the development of the national economy, and attain the objectives of invigorating the financial market, making rational readjustments, doing this readjustment work without fear of disorder, and saving without reaching the strangling point.

COMMENTARY ON 'DOUBLE INCREASE,' 'DOUBLE ECONOMY'

HK041214 Beijing CONGREN RIBAO in Chinese 18 Apr 87 p 1

["Special commentary" by Yu Qinghe (0060 1987 0735): "Plunge into the "Double-Increase and Double-Economy" Movement With the Master's Attitude"]

[Text] A mass movement of boosting production and practicing economy and increasing income and cutting expenditure is on the upsurge in all trades and professions throughout the nation. In the new situation, workers and staff should give play to the glorious tradition of plain living and hard work, diligence, and thrift of the working class; actively plunge into the "double-increase and double-economy" movement; and bring into play their wisdom and intelligence to render new meritorious services to the motherland.

The movement of boosting production and practicing economy, and increasing income and cutting expenditure should focus on improving economic results, and income must be increased with greater output. It is necessary to grasp the marketability of products, upgrade product quality, and lower the consumption of raw materials; efforts must be exerted in raising labor productivity and the economic results of enterprises. We must keep investment in fixed assets as well as nonproductive expenditure under strict control, and bring down the atmosphere of expansion. The unhealthy tendencies of spending freely and wasting by attaching importance to ostentation and extravagance, competing with each other in lavishness, and indulging in banquets and sending gifts have been very serious in some localities and units in recent years. There is rather shocking waste resulting from expenditures for various conference, travel, and receptions going beyond the scope and standards. There have been endless victory meetings and commemorative meetings of every description, and some cadres have gone touring at the expense of the state. [paragraph continues]



There is no end to the list of expenditures, including the reconstruction of former residences of historical "celebrities," and the setting up of monuments and memorial halls for them with public funds. Such tendencies have not only increased the burden of the state, but produced very bad effects on the social atmosphere and on the relationship between the party and the masses. We must resolutely block all loopholes of loss and waste, draw up strict rules and regulations, and set up a clearly demarcated system of reward and punishment to bring about a strong social atmosphere in which "economy is glorious and waste is a shame." Regarding grave losses and waste resulting from the mistakes of leadership in decisionmaking and bureaucracy, we should, of course, investigate and affix the responsibility. By no means should we allow the continuance of the phenomenon in which the masses are ordered to pick up the sesame on the earth, while the leadership is allowed to pour away whole casks of sesame oil.

The key to unfolding boosting production and practicing economy and increasing income and cutting expenditure is to find a way to bring into full play the initiative of the managers and workers and staff of enterprises and to tap the great potentials inside the enterprises. To deepen reform, it is necessary for us to further strengthen the vitality of enterprises. The enterprises are the basis for creating material wealth. The invigoration and protection of the enterprises are the basic guarantee for realizing increased output and income. The deepening of reform should be conducted by centering on the key link of invigorating the enterprises. Because of the decontrol of prices and the extension in the scope of market regulation, some enterprises find it very difficult to deal with the changes because of their poor endurance capability and ability to compete. In such a situation, we should turn our eyes inside the enterprises, tap potential in all respects, take a firm grasp of management and operation, and exert greater efforts on reforming the operational mode in particular. At the same time, it is necessary to resist the abnormal practice of some units and individuals in society in making irrational demands on the enterprises, resulting in increasing their burden. At present, impositions and donations under all kinds of pretexts are very difficult for the enterprises to bear. We must be bold at resisting such an unhealthy tendency and protect the enthusiasm of the enterprises in their production and operation.

In the final analysis, the invigoration of enterprises and upgrading of economic results mean giving play to the initiative of both managers and workers. This is because neither the invigoration of enterprises nor the upgrading of economic results is possible by relying on the initiative of the managers alone, while neglecting that of the workers. The workers are the masters of the enterprises. Only when their status as masters, their democratic rights, and the principle of material interests are genuinely respected and protected will it be possible to give fullest play to their initiative in production. Based on investigation, we found that at present, the initiative of more than 40 percent of the workers and staff in the enterprises is "generally" or "not fully" given play. This is a great waste as well as a very great potential. To bring into play the extremely great socialist enthusiasm latent in the workers and staff, it is necessary to genuinely establish the status of workers and staff as masters and to embody it in all rules and regulations of the enterprises. It is necessary to guarantee the democratic rights of the workers and staff and to implement the principle of material interests, so that their legitimate rights may be respected and protected effectively in a down-to-earth way. Some enterprises are neglecting the role of ideological and political work at present. They do not pay attention to raising the consciousness of the workers and staff as masters and giving play to this spirit of their being masters, but simply rely on economic means, believing that the power of money alone will give play to the initiative of the workers. [paragraph continues]



But the results often run counter to their desires -- more pay, more work; less pay, less work; and no pay, no work. Other enterprises fail to show respect for the status and rights of workers. They have invented all sorts of pretexts to punish people arbitrarily and meted out unfair rewards and punishments. As a result, when one worker is wronged, the effect spreads like wildfire. Such arbitrary punishments will not help enforce discipline, but only sap the morale of the workers and slacken the regulations and discipline of the enterprises. Still other enterprises have failed to exert efforts to improve their management and operation to raise their labor productivity, but depend on working overtime without restraint. Prolonging work hours will not help raise labor productivity, but will gravely injure the physical and intelligence development of the workers. We must earnestly solve these problems and bring into full play the initiative and creativity hidden in the workers and staff.

The working class is the leading class of the state and the master of the enterprises. "We are honored when our factory thrives, but feel ashamed with it declines." The workers and staff of an enterprise should naturally share its fate, bring forward the spirit of plain living and arduous struggle and building the nation through hard work and thrift, and actively plunge into the movement of boosting production and practicing economy, increasing income, and cutting expenditure with the master's attitude.

Workers and staff should take an active part in discussing, drawing up, supervising, and implementing the plans and measures for boosting production and practicing economy and increasing income and cutting expenditure in their enterprise, workshop, sector, and group. They should use their brains, make suggestions, tap potentials, find out where the waste is, improve labor productivity, and increase economic results based on the requirements for boosting production and practicing economy and increasing income and cutting expenditure. At the same time, they should further revise the existing criteria for the consumption of energy resources and materials, standards for product quality, and quotas for work hours, skill, and labor. Regarding persons and matters in violation of the financial and economic system and cases of free spending and waste, supervision and criticism should be conducted in a bold and assured way; the people have the right to complain to the higher authorities, and we should by no means allow retaliation.

The workers and staff should bring forward the "spirit of Meng Tai" [a model worker in the early 1950's] and the "spirit of the iron man" [Wang Jinxi, a model worker in the 1960's] in the past, who took the interests of the whole into account, worked selflessly for the public interest, feared no difficulties, exerted their best efforts, and bore the responsibility with the master's attitude. In implementing the proposal of the All-China Federation of Trade Unions "to do a good thing in establishing lofty ideals, to participate in one item of reform in strengthening vitality, to make one rational proposal with the master's attitude; to have perfect command of a basic skill as a token of cherishing one's own profession; to make one's contribution by increasing output value in terms of 100 yuan on a per capita basis," workers and staff should actively make suggestions and rational proposals, take part in socialist labor emulation, and vie to become pacesetters by scoring outstanding accomplishments.

In the movement of boosting production and practicing economy, workers and staff should all the more consciously observe labor discipline and cultivate professional ethics. Good professional ethics are an important sign embodying the civilized degree and spiritual feature of the Chinese working class. All trades and professions should gradually accomplish the standardization and institutionalization of professional ethics and discipline, turning them into conscious actions of the whole body of workers and staff.

It is necessary to strengthen the sense of responsibility on one's post, to cherish one's profession, to be loyal to one's duties, to serve the people, and to bear responsibility to society. It is necessary to influence and lead forward the whole of society with a brand-new ethical and spiritual feature in the movement of boosting production and practicing economy and increasing income and cutting expenditure.

ENTERPRISES', LABORERS' INTERESTS DEFINED

NK050442 Beijing GUANGMING RIBAO in Chinese 25 Apr 87 p 3

[Article by Peng Biyuan (1756 1801 3293): "Enterprises' Interests Are Not the Collective Interests of Laborers"]

[Text] Some people in theoretical circles in our country say that the interests of enterprises are the collective interests of laborers. In my opinion, this viewpoint is groundless and harmful.

In regarding the interests of enterprises as the collective interests of laborers, these people negate the independent nature of enterprises' interests. As commodity producers enterprises must have independent material interests of their own. If enterprises' interests are taken as the collective interests of laborers they will become the convergence of the individual interests of laborers. In these cases the interests of enterprises will lose their special meaning.

Enterprises' interests are not the convergence of the individual interests of laborers. Under the condition that laborers have the freedom to select their jobs and the enterprises have the freedom to select laborers, an important criterion for laborers in selecting their jobs is to obtain as much income as possible, and an important criterion for enterprises in selecting laborers is to make as much profit as possible. To obtain more income, laborers are bound to flow to enterprises that can provide them with more income. To make more profits, enterprises will necessarily select laborers who can turn out more profits. These two types of selections are conditioned by the separation of the individual interests of laborers from the interests of enterprises.

If enterprises' interests are regarded as the collective interests of laborers, a situation will inevitably arise in which enterprises will "run society." An important theoretical basis for regarding enterprises' interests as the collective interests of laborers is the connection of the welfare of laborers with the quality of enterprise management. The result is that enterprises undertake the responsibility to provide food and clothing for their staff and workers. In line with this need, enterprises should form corresponding organizations equipped with the necessary personnel and funds. In these cases enterprises will operate like social welfare and philanthropic institutions. This will reduce the function of enterprises as commodity producers and will, on the other hand, bring about an overstuffed administration in enterprises.

Regarding the interests of enterprises as the collective interests of laborers is detrimental to the rational flow of the labor force. Because the quality of enterprise management affects the welfare of laborers, laborers who have found a job in enterprises under good management will prevent other laborers from entering these enterprises. Moreover, to increase the welfare of their families, these laborers will try every possible means to pull their relatives into these enterprises. Thus the personal relationship in these enterprises will become complex and the rational flow of the labor force will be hampered.

If the interest of enterprises are regarded as the collective interests of laborers, no one in enterprises will really assume the position of master. Theoretically speaking, laborers in enterprises are the masters of enterprises. But when it comes to the problem of handling the relationship of interests between enterprises and laborers, no one is willing to act in the interests of enterprises, thereby leaving the position of master vacant. When enterprises lack a factor to restrict the individual interests of laborers the enterprises' interests will surely be harmed.

In my opinion, in deepening the reform of the in-house departments of enterprises we should make efforts to allow the interests of enterprises to take on an independent nature and to strictly separate the interests of enterprises from both the individual and collective interests of laborers. It is advisable to introduce the production responsibility system that includes leasing and contracting out enterprises so that laborers can obtain more interests, on the condition that increases in enterprises' interests are ensured and that laborers are concerned about the enterprises' interests while working for their personal interests. In this way they will be able to foster the spirit of being masters of enterprises and bring their initiative in production into full play.

#### JINGJI RIBAO ON CONTRACTED MANAGEMENT SYSTEM

HK041402 Beijing JINGJI RIBAO in Chinese 21 Apr 87 p 1

[Commentator's article: "Be Resolved To Implement the Contracted Management Responsibility System"]

[Text] What is the most effective way to invigorate the big and medium-sized enterprises under the present conditions? In his Government Work Report delivered at the Fifth Session of the Sixth National People's Congress, Premier Zhao Ziyang clearly pointed out: "The big and medium-sized enterprises can implement various types of the contracted management responsibility system according to their different conditions and use the method of signing contracts to clearly define the relations between the responsibilities, powers, and interests among the competent departments of enterprises, the enterprise operators, and the collectives of staff and workers." Premier Zhao's remarks not only summarized the experiences of the reform carried out in the enterprises over the past few years but also pointed out the correct way to invigorate the big and medium-sized enterprises.

Implementation of the contracted management responsibility system conforms with China's actual conditions and the actual conditions of China's enterprises as well. As a management mechanism, the contracted management responsibility system once played a vital role in the economic reform conducted in the rural areas and achieved gratifying results in the reform of the small enterprises as well as elected big and medium-sized enterprises. Therefore, the contracted management responsibility system is now familiar to all, easy to implement, capable of mobilizing the majority of enterprises, and adaptable to the present management level, technological level, and the actual situation of the staff and workers in China's enterprises. More important, the former and relatively simple system of contracted responsibilities on the household basis with payment linked to output, which has been implemented in the rural areas over the past few years, has gradually developed into a relatively complete enterprise management mechanism. The contracted management responsibility system has summed up many experiences that are useful to us in dealing with the relations between the state and the enterprises; establishing the economic responsibility system, which is capable of closely integrating the responsibilities, powers, and interests of the enterprises; promoting the technological progress of the enterprises; smashing the distribution system based on equalitarianism; and so on. [paragraph continues]



It is true that the contracted management responsibility system will also bring about some new contradictions and new unreasonable factors. However, the contracted management responsibility system has already greatly tapped the potential of the enterprises. This is where the biggest rationality of the contracted management responsibility system lies. In the past, people once thought that the reform of the enterprises should be carried out in a standardized way. Now, it seems hardly possible to formulate a unified and standardized management system suitable for all enterprises, because China's market mechanism is still far from perfect, China's price structure is still irrational, and China's old economic structure is still coexisting with its new economic structure. Although some aspects of the contracted management responsibility system have not been standardized, we can further perfect this system, properly resolve the various types of new contradictions, and link this system with the future reform in the process of our implementation of this system. Nothing in this world is perfect. It is true that the management mechanism of China's enterprises is not perfect. However, compared with other management forms, the contracted management responsibility system can give us more advantages than disadvantages. If we hesitate on this question, the progress of our reform will certainly be impeded.

To implement the contracted management responsibility system in the big and medium-sized enterprises is a complicated project. This project can only be built step by step in a planned way. As for such questions as how to decide the contract base, how to prevent enterprise profits from being excessively turned into daily consumption, how to properly guide the investment in fixed assets and ensure the reasonable use of these funds, and so on, we should carry out careful studies and formulate relative macroeconomic control measures to ensure our successful implementation of the contracted management responsibility system. However, as a prerequisite, we should first of all have determination and confidence in implementing this system, because we clearly know that this system is a good one.

#### CHANGE IN LAW OF DISTRIBUTION EXPLAINED

HK050928 Beijing GUANGNING RIBAO in Chinese 25 Apr 87 p 3

[Article by Song Yangyan (1345 7402 8827) and Wang Haidong (3769 3189 2639): "Brief Analysis on the Change in the Form of the Law of Distribution According to Work"]

[Text] The law of distribution according to work is an important economic law in socialist society. The basic requirement of the law of distribution according to work is this: Relevant labor remuneration is provided for laborers according to the labor results they produce. More income for more work and less income for less work.

The comparability of labor results serves as an indispensable condition for exercising the law of distribution according to work. Only under the condition that labor results are comparable will the principle of distribution according to work be a completely rational distribution principle and will the law of distribution according to work bring into full play the initiative of laborers in production. Otherwise, all this will be impossible.

The comparability of labor results is determined by these two factors: One is a unified measurement for measuring labor results and the other is the influence of objective labor conditions on labor results. The former universally exists during the present period in socialist society. During the present period labor results manifest themselves in two forms; one is the use value of commodities and the other the value of commodities. [paragraph continues]

For laborers producing the same commodities, the use value they create can be taken as the norm for measuring their labor results. For laborers producing different commodities, the value they create can be taken as the norm for measuring their labor results. But the latter does not universally exist during the present period in socialist society. To remove the influence of objective labor conditions from labor results it is necessary to observe the labor results of laborers under entirely the same objective labor conditions. But during the present period the objective labor conditions of laborers are generally greatly different from each other. For this reason, when commenting on the labor results of a laborer, people cannot fail to mix the influence of the objective labor conditions on his labor results with the subjective initiative he makes. In such cases, the manifestation form of distribution according to work deviates to a certain extent from the basic requirement of the law of distribution according to work. We call this phenomenon the change in the form of the law of distribution according to work.

The change in the form of the law of distribution according to work has resulted from the difference between objective labor conditions. Because the difference between objective labor conditions cannot be eliminated for the present period, the change in the form of the law of distribution according to work cannot be eliminated either. But the change in the form of the law of distribution according to work manifests itself in different ways and under different conditions. Generally speaking, the difference between the objective labor conditions of laborers in the same enterprise is small and the difference between the objective labor conditions of laborers in different enterprises is large. Therefore, the change in the form of the law of distribution according to work does not appear very prominently among laborers in the same enterprise but it appears very prominently among laborers in different enterprises. This tells us that when exercising the principle of distribution according to work among laborers in the same enterprise there is no need to take account of the influence resulting from the change in the form of the law of distribution according to work, and that when exercising this principle among laborers in different enterprises, the influence resulting from such a change should be taken into account.

The change in the form of the law of distribution according to work suggests that the essential requirement of this law has not been fully met. Therefore, with this change the role of the law of distribution according to work is distorted. A sign that the role is being distorted is that laborers aim at increasing their labor remuneration by gratuitously taking possession of favorable objective labor conditions. The role of the law of distribution according to work is, for the present time, very seriously distorted among laborers in different enterprises. This distortion finds expression in the following phenomenon: Enterprises take the expansion of the scale of investment as a major means to increase their income, instead of improving the efficiency of their funds. This is because by expanding the scale of investment enterprises can improve their objective labor conditions. The better the objective labor conditions, the more labor results and labor remuneration they will obtain. The enterprises' funds for expanding the scale of investment come from self-accumulated funds, state investments, and bank loans. Since enterprises' self-accumulated funds are limited, it is often the case that enterprises place their hopes for expanding the scale of investment on the increase in state investments and bank loans. To obtain more state investments and bank loans, enterprises will resort to every possible means, including establishing relationships through pull or influence or through entering by the back door. The results are these: 1) Enterprises have become more reliant on the administration of the responsible departments at the higher levels, and enterprises cannot carry out equal competition; 2) the state has more difficulties in practicing macroeconomic control over the scale of investment and this has provided the ground for the expansion of investment; and 3) funds cannot flow to regions that can make the best of time.

Thus it can be seen that to exercise the principle of distribution according to work among laborers in different enterprises and remove the bad influence resulting from the change in the form of the law of distribution according to work, we should revise the principle of distribution according to work. In our opinion, a different form of distribution according to work should be exercised among laborers in different enterprises. This means that enterprises' contribution to the expansion of reproduction should be taken as the basic norm for measuring their labor results so that their income and self-accumulation are closely linked. To put this more specifically, after paying their income tax, enterprises can retain their profits according to the proportion of investment in their self-accumulated funds. The higher the proportion of investment in their self-accumulated funds is, the more profits they can retain and the larger the part for consumption funds obtained from the retention of profits will be. In this way the law of distribution according to work will be brought into full play.

What is more important is that the following results can be achieved: 1) The scale of enterprises' investments will be restricted by their accumulation. In this way, the expansion of investment can be prevented. 2) When the scale of their investments is restricted, enterprises will concentrate their efforts on improving the efficiency of their funds. 3) To improve the efficiency of funds it is necessary to strengthen management, improve skills, increase production, economize, and enhance labor productivity. Thus we can see that linking enterprises' distribution according to work with their self-accumulation is an important way to improve the distribution of enterprises' consumption funds. It is also a measure to be taken in strengthening the management of enterprises and promoting their development.

#### STRENGTHENING PLA IDEOLOGICAL, POLITICAL WORK URGED

HE051012 Beijing JIEFANGJUN BAO in Chinese 23 Apr 87 p 3

[Report collated by Wei Hanzin (7614 3352 9515): "'Firmly Grasp Two Basic Points, Strengthen PLA Units' Ideological and Political Work' -- Summary of a Discussion at a Reading Class of Air Force Political Commissars (Directors) at the Above the Corps Level"]

[Text] At a reading class of political commissars (directors) at and above the corps level was recently held by the Air Force on the basis of the important documents on adhering to the four cardinal principles and opposing bourgeois liberalization, on how to understand in an all-round way two basic points in the party's line, formulated since the 3d Plenary Session of the 11th CPC Central Committee. They were discussed and PLA units' ideological and political work was strengthened. Following is a roundup of the discussion.

**Firmly Grasp Two Basic Points, Guarantee the Correct Implementation of the Party's Line, Principles, and Policies [subhead]**

In his speech at a spring festival mutual congratulations group meeting this year, Comrade Zhao Ziyang pointed out: The line formulated since the 3d Plenary Session of the 11th CPC Central Committee consists of "two basic points: One is to adhere to the four cardinal principles and the other is to adhere to the policy of reform, opening up, and invigoration. Both of them are related to each other and are indispensable." They all held that this represented the CPC Central Committee's complete summation of the line formulated since its Third Plenary Session, grasped the quintessence of the central documents and Comrade Deng Xiaoping's series of speeches, and was a leap forward in the whole party's understanding of the line formulated since the 3d Plenary Session of the 11th CPC Central Committee. [paragraph continues]



Profoundly understanding the spirit and substance of the "two basic points" and their mutual relations is extremely important and significant to our complete understanding of the line formulated since the 3d Plenary Session of the 11th CPC Central Committee: adhering to the four cardinal principles; opposing bourgeois liberalization; and strengthening ideological and political work. An important characteristic of the ideological trend of bourgeois liberalization is to advocate "total Westernization" and to openly negate the four cardinal principles under the pretext of reform, opening up, and invigoration. This interferes with the implementation of the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee from another sphere, namely, the rightist one. In fact, since the 3d Plenary Session of the 11th CPC Central Committee, the CPC Central Committee and Comrade Deng Xiaoping have emphasized these two basic points all along. Without stressing reform, opening up, and invigoration, social productive forces cannot quickly develop and this does not conform to the line formulated since the Third Plenary Session of the CPC Central Committee. Without stressing the four cardinal principles, the orientation of and guarantee for reform, opening up, and invigoration will be lost. This also does not conform to the line formulated since the Third Plenary Session of the CPC Central Committee. Comrade Deng Xiaoping clearly pointed out: "If any one of the four cardinal principles is shaken, the socialist cause and the cause of modernization will, as a whole, be shaken."

Only by understanding the party's line in an all-round way can we correctly implement it. In the previous period of time, some comrades did not understand in an all-round way the line formulated since the Third Plenary Session of the CPC Central Committee. For example, they only kept an eye on correcting "leftist" mistakes and neglected the area of preventing the right. They often emphasized reform, opening up, and invigoration, one of the two basic points, and ignored the area of adhering to the four cardinal principles. Regarding the present battle against bourgeois liberalization, some people were worried that the policy of reform, opening up, and invigoration will be hindered. In light of this situation, they all held that seriously organizing the cadres and fighters to study and grasp the two basic points and understanding in an all-round way the line formulated since the Third Plenary Session of the CPC Central Committee is an important task of our ideological and political work at present and in the future. At present, through positive education in adhering to the four cardinal principles and opposing bourgeois liberalization we must further encourage everyone to understand that the four cardinal principles are the foundation of the founding of the party and country as well as the foundation of the founding and building of the Army, which cannot be shaken at any time. Reform and opening up is a basic national policy and the necessary way for socialist modernization, which must be adhered to. Both of them supplement each other and neither should be overemphasized at the expense of the other. In light of the situation in which young cadres and fighters now lack historical knowledge and experience, apart from organizing them to study some basic Marxist principles, we must, with an aim in mind, teach them some modern history and party history and lead them to correctly understand the historical experience and policies in effect in our country, to completely understand the line formulated since the Third Plenary Session of the CPC Central Committee, to conscientiously adhere to the four cardinal principles, and to do a good job in reform, opening up, socialist modernization, and the modernization of our Army.

#### **Firmly Grasp the Two Basic Points, Prevent "Left" and Right Deviations [subhead]**

The two basic points of the line formulated since the Third Plenary Session of the CPC Central Committee are the fundamental basis of the ideological and political work for the new time period and are also a correct course which we follow in ideological and political work. [paragraph continues]

Only by firmly grasping these two basic points in ideological and political work can we keep a clear head, prevent "left" and right deviations, and oppose one deviation while preventing the other deviation.

In the previous time period, while emphasizing the emancipation of the mind, some people took adhering to the four cardinal principles as an ossified way of thinking. While updating ideas they also wanted to update the concepts of "selflessness" and "wholeheartedly serving the people." While developing the commodity economy they declared that "importance should be attached to money in everything," and while opening to the outside world they also wanted to import decadent and moribund capitalist things and even advocated "total Westernization." Some of our comrades who did political work could not draw a clear demarcation line between right and wrong. Even if they became aware, they dared not justly and forcefully criticize the wrong things for fear of being declared conservative, ossified, and "leftist" so as to weaken ideological and political work. In fact, while emphasizing that it is necessary to "thoroughly correct the 'leftist' mistakes, Comrade Deng Xiaoping has repeatedly admonished that if we do not seriously adhere to the four cardinal principles we will change the correction of "left" to the "correction" of socialism and Marxism-Leninism.

We have deeply felt from here that the key to the prevention of "left" and right deviations in ideological and political work lies in completely understanding the line formulated since the Third Plenary Session of the CPC Central Committee and in firmly grasping the two basic points. In the political work we must ensure that we grasp the two with two hands, namely, grasping the four cardinal principles with one hand and grasping reform, opening up, and invigoration with the other hand; and grasping the building of material civilization with one hand and grasping the building of spiritual civilization with the other hand. It is essential to regularly conduct education in the two basic points for the PLA units and to persist in applying these two basic points as a criterion to measure right and wrong. Only by doing so can we prevent vacillating to the "left" and right and give full play to the might of ideological and political work.

**Firmly Grasp the Two Basic Points, Adhere to the Correct Orientation in the Modernization of the Army [subhead]**

They all held that the enlarged meeting of the Military Commission which was held not long ago firmly grasped the two basic points and further pointed the way of our army building. First, in ideological and political work, we must use the four cardinal principles as guidance and guarantee the correct way for our Army building. In the new period the central task of our Army is to carry on modernization and all work must be subordinate to this center. However, the modernization we want to achieve is the modernization of the people's Army under the guidance of the four cardinal principles and this determines that in the course of construction — except that of weapons, equipment, systems, military ideology, strategy, and tactics — our Army must meet the needs of modernization. It is imperative to persist in the party's absolute leadership over the Army, to persistently use Marxist-Leninism-Mao Zedong Thought to educate PLA units, to adhere to vigorous ideological and political work, to stick to the aim of wholeheartedly serving the people, and to permanently maintain the quality of the people's Army. In this way we can maintain the orientation of the development of the modernization of our Army and provide a strong spiritual impetus for modernization. Second, in ideological and political work, we must make efforts to promote all reforms in our Army. The process of the modernization of the Army is the process of continuous reform and self-perfection. [paragraph continues]

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So far as the ideological and political work of PLA units is concerned, we must now make efforts to improve the contents and methods of political education to strengthen the results of ideological education; under the premise of maintaining a high degree of concentration and unity, develop the internal democratic life of PLA units; attach importance to the system of political work and to the study and formulation of relevant policies; overcome bureaucratism and enhance work efficiency; etc. They all held that the relations between reform and bringing forth new ideas and inheriting the excellent traditions should be handled well here. The excellent traditions of our Army should be adhered to at all times. Otherwise, the strong points and characteristics of our Army will be discarded and the foundation of bringing forth new ideas lost. In the course of reform, on the one hand, we must adhere to past excellent traditions and give them new meaning according to our new practice. On the other hand, we must work hard to find a new way and summarize new experiences according to historical changes. We must pay attention to the characteristics of the Army, be bold in exploration, and work carefully. In study and in using local experience in reform and foreign experience for reference, we must proceed from the realities of our Army and not indiscriminately imitate them. We must attach importance to the practical results, not pay lip service, and not go around in circles and go in for flashy things without substance in concepts and terms.

#### TIAN JIYUN FAVORS 'OUTWARD-ORIENTED AGRICULTURE'

HK040421 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 4 May 87

[Text] According to the Zhuhai People's Broadcasting Station, Tian Jiyun, member of the CPC Central Committee Political Bureau and vice premier of the State Council, stressed when inspecting the Zhuhai Special Economic Zone's new agricultural demonstration area that the special zone should develop outward-oriented agriculture as well as outward-oriented industry. The special zone should combine the development of crop cultivation and stockbreeding with the in-depth processing of agricultural and sideline products and strive to earn more foreign exchange from exports. At the same time, the special zone should diffuse advanced technology and fine strains into the interior, playing its part as a window.

Vice Premier Tian Jiyun said: When I first came to Zhuhai in 1983, the main things I saw were certain tourist projects. Zhuhai has developed so rapidly in recent years! Apart from developing outward-oriented industries, it has actively developed outward oriented agriculture by integrating state-owned units, combines, and specialized households. It has also imported advanced technology and fine strains from abroad and diffused them in a planned way among the combines and the specialized households, organizing them to undertake production contracts and then purchasing, processing, and exporting their produce. In this way the special one has both developed production and expanded exports and has also supported the peasants in getting rich through hard work and promoted agricultural development in the interior. This is the correct road.

#### FANG YI MEETS ENGINEERING GEOLOGY SCHOLARS

OW041412 Beijing XINHUA in English 1359 GMT 4 May 87

[Text] Beijing, May 4 (XINHUA) -- Chinese State Councillor Fang Yi met here today some noted scholars from the International Association of Engineering Geology. These scholars are attending the International Seminar on Mountainous Regions Engineering Geology here. President Zhou Guangzhao of the Chinese Academy of Sciences and representatives from 19 countries and regions attended the opening ceremony of the seminar this morning.



COMPANY DENIES REPORTS OF GUANGDONG RIOTING

HK060327 Hong Kong SOUTH CHINA MORNING POST in English 6 May 87 pp 1, 2

[By Lulu Yu]

[Text] Taiwan's CENTRAL NEWS AGENCY claimed yesterday that Chinese soldiers killed 11 people and wounded another 250 after firing on a crowd of protesting oil-field workers in southern China.

But the Nanhai West Oil Corporation, which was accused of sparking a riot by dismissing 3,000 employees in January, denied the report. There was no comment from Beijing.

The Taiwan Government-controlled news agency claimed that about 300 dismissed oil workers had protested on March 2 in Zhangjiang, a city 400 km west of Guangzhou.

The Taipei dispatch quoting "relevant sources", said the workers took to the streets around midnight and were surrounded by members of the People's Liberation Army.

A melee developed into a pitched battle, with some 260 people killed or wounded when the soldiers opened fire, according to the news agency.

When the agency cites "relevant sources," it usually means Taiwan's intelligence sources operating in China.

The information is believed to have been passed through Hong Kong or other venues to Taipei, where it was then given to the media.

A spokesman for the oil company in Zhangjiang yesterday dismissed the report as "sheer fabrication".

"We had not sacked anyone and there had been no demonstrations. We work under an 'iron rice bowl' system. How can we sack thousands of workers?" said a man who would not identify himself.

He added that the company employed about 10,000 people, but would not discuss its South China Sea operations.

The Nanhai West Oil Corp, a subsidiary of the China Ocean Oilfields Services (Hong Kong) Ltd, is a joint venture between several foreign firms, including Total Chine, an affiliate of Total Petroleum (Hongkong) Ltd, and Occidental.

Spokesmen for both parent companies in Hong Kong denied the report, which was carried in the local pro-Taiwan HONGKONG TIMES.

Observers normally tend to view CNA reports with suspicion. A Western diplomat in Guangzhou suggested yesterday's despatches had been exaggerated, but added that the Chinese were good at covering up.

The report said 3,000 workers lost their jobs when the Zhanjiang joint venture, established in 1981, shut down on January 25.

The workers were allegedly recruited from a state farm for Overseas Chinese, in Guangdong's Xuwen county. After their dismissal, they were said to have gone back to the "Huaqiao Nongchang" disgruntled.

There are at least six state farms for Overseas Chinese in Xuwen county, with a population of some 2,000 ethnic Vietnamese and many more Southeast Asians, according to China's top United Nations refugee officer.

Mr Raymond Hall, the Beijing-based United Nations High Commissioner for Refugees, said he had not heard of the alleged brawl in Zhanjiang but had been aware of certain adjustment problems among Vietnamese settlers in Guangdong.

It is not known whether the workers in question were ethnic Chinese or Vietnamese.

David Chen reports that workers in the region are mostly children of Overseas Chinese, whose ancestors had originally come from Guangdong and Fujian province.

Their parents had returned to China in several waves in the early 1950s both in response to Beijing's call to rebuild the country and to escape persecution by newly emerged nations in Southeast Asia.

Many professionals were found jobs in the capital and elsewhere but many unskilled people had to be accommodated in rural regions.

Most of these people settled in Guangdong and Fujian, their ancestral homes, and in Hainan.

Many suffered badly, like other rural people, in the Giant Leap Forward.

#### GUANGXI CONGRESS' RESOLUTIONS, APPOINTMENTS

NK050931 Nanning Guangxi Regional Service in Mandarin 0930 GMT 4 May 87

[Excerpts] The 26th meeting of the 6th autonomous regional People's Congress Standing Committee concluded yesterday afternoon in Nanning. Zhong Feng, vice chairman of the autonomous regional People's Congress Standing Committee, presided over the meeting. [passage omitted]

According to a resolution adopted yesterday by the 26th meeting on the establishment of the Guangxi Zhuang Autonomous Regional Office for Electoral Work, the establishment of the office is aimed at promoting the work of electing deputies to the county and township people's congresses in the region. Under the leadership of the autonomous regional People's Congress Standing Committee, the office will be in charge of guiding the work of electing deputies to the county and township people's congresses in the region. Wei Zhangping has been appointed director of the regional office for electoral work. [passage omitted]

A resolution adopted yesterday by the 26th meeting on the number of deputies to the county and township people's congresses contains the following decisions made on the basis of the PRC electoral law governing the elections of deputies to the NPC and local people's congresses and in the light of our region's specific conditions: First, the people's congresses of counties, autonomous counties, cities without subordinate districts, and districts under the jurisdiction of cities each have a base of 100 deputies. An additional deputy can be elected for every 5,000 people. Although an extra number of deputies can be elected in due course in accordance with the conditions of administrative division and the number of people of each nationality, the maximum number of deputies to each people's congress must not exceed 450. The specific number of deputies to each people's congress will be decided by the autonomous regional office for electoral work.

Second, the people's congresses of townships, townships of minority nationalities, and towns each have 30 deputies as the base. An additional deputy can be elected for every 1,500 people. The maximum number of deputies to each people's congress must not exceed 130. The specific number of deputies to each people's congress will be decided by the People's Congress Standing Committees of counties, autonomous counties, cities without subordinate districts, and districts under the jurisdiction of cities. The eventual number of deputies to each people's congress should be reported to the autonomous regional office for electoral work for the record.

The following are appointments and removals approved yesterday by the 26th meeting of the 6th regional People's Congress Standing Committee:

(Wen Sixin) is appointed as director of the autonomous regional commission for foreign economic relations and trade and is relieved of his directorship of the autonomous regional office for foreign affairs.

Chen Ren is relieved of his concurrent directorship of the autonomous regional commission for foreign economic relations and trade.

#### HENAN'S YANG XIZONG ATTENDS PEOPLE'S CONGRESS

NK060640 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 4 May 87

["Special Feature: 'I Am Also a Deputy to the People's Congress' -- Provincial Party Committee Secretary Yang Xizong Visits the Luoyang Delegation"]

[Excerpts] Deputies to the fifth session of the sixth provincial People's Congress yesterday [4 May] morning continued to discuss the Government Work Report in groups. Yang Xizong, secretary of the provincial CPC Committee, joined the Luoyang delegation in discussing the Government Work Report. [passage omitted]

Comrade Yang Xizong said: It is true that unhealthy tendencies and extravagant and wasteful practices are things that cause a divorce from the masses. To carry forward the glorious traditions of plain living, hard struggle, and building up the country with industry and thrift, we must conduct ideological education and establish necessary systems to facilitate supervision by the masses. Some issues must also be resolved through legislation. We must mobilize the whole society to struggle against unhealthy tendencies.



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(Sun Junjie), head of the Hui nationality (Changhe) district in Luoyang and a nonvoting delegate, said: We young cadres need the support of veteran cadres and our work needs supervision by veteran cadres.

Comrade Yang Xizong said: Your understanding of this matter is a very good one. No matter how high one's position, every cadre should conscientiously place himself under the supervision of the party and the masses. Nowadays some comrades feel uncomfortable whenever they hear the word supervision. I think these comrades should now understand. [passage omitted]

Comrade Yang Xizong said: The CPC and the PRC are determined to develop a high degree of socialist spiritual civilization while developing a high degree of socialist material civilization. Comrade Zhao Chune was a native of Luoyang. We should energetically spread the spirit of Zhao Chune. We should also energetically spread the spirit of plain living and hard struggle, of promoting the double increase and double economy campaign, and of selflessly making contributions.

Some deputies suggested that Comrade Yang Xizong should talk more.

Comrade Yang Xizong said: Just like everybody here, I am also a deputy to the People's Congress. On this occasion, we all have the same status.

HUBEI LEADERS ATTEND THEATRICAL PERFORMANCE

HK051428 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 2 May 87

[Excerpt] A 21-day 1987 provincial contest of young opera troupe performers has concluded satisfactorily. A meeting was held last night at the Hubei theater to award prizes to outstanding performers. The outstanding performers also gave an encore performance during the meeting.

Guan Guangfu, secretary of the provincial party committee; Guo Zhenqian, governor of the provincial government; Zhao Fulin, deputy secretary of the provincial party committee; and Duan Yongkang, Liang Shufen, and Wang Hanshang, vice governors of the provincial government, awarded prizes to outstanding performers and attended the performance. [passage omitted]

GUIZHOU PEOPLE'S CONGRESS SESSION OPENS 5 MAY

HK060147 Guizhou Provincial Service in Mandarin 2200 GMT 5 May 87

[Excerpts] The Fifth Session of the Sixth Guizhou Provincial People's Congress opened in Guiyang on 5 May, attended by 565 deputies. [passage omitted]

Governor Wang Chaowen delivered a Government Work Report. The report was in three parts: 1) Review of work in 1986 and the main tasks for 1987; 2) launch an extensive drive to increase production, practice economy, increase revenue, economize expenditure, carry out deep-going economic structural reforms, and achieve steady economic growth throughout the province; 3) uphold the four cardinal principles and step up the building of socialist spiritual civilization.

While fully affirming the achievements in work last year, Wang Chaowen also noted shortcomings and errors and proposed the main tasks for this year. [passage omitted]

Governor Wang Chaowen pointed out that the province's work this year must be closely focused on the drive to increase production, practice economy, increase revenue, economize expenditures and oppose bourgeois liberalization. These are the main tasks. The work has been arranged in accordance with the provincial party committee's general arrangements for developing commodity economy and promoting sustained and steady development.

The main targets in the province's economic and social development are: Industrial and agricultural output value to reach 16.48 billion yuan at constant 1980 prices, a rise of 6.7 percent over last year; national income to reach 13 billion yuan, calculated at current prices, an increase of 6.3 percent over last year; gross domestic product to reach 15.2 billion yuan, calculated at current prices, a rise of 6.6 percent; grain output to reach 7.6 million tons, a rise of 13 percent; financial revenue to reach 1.903 billion yuan, an increase of 9.72 percent; foreign exchange earnings from exports to reach \$68.44 million, an increase of 2.8 percent; and natural population growth rate to be kept below 11.5 per 1,000.

Wang Chaowen said: These development targets embody the demand for steady economic development and also dovetail with the province's strategic guidelines, guiding ideas, and development focal points for the Seventh 5-Year Plan. These targets are therefore truth-seeking, positive, and steady. By fulfilling and overfulfilling these targets we will be able to lay the foundation for development in the last 3 years of the Seventh 5-Year Plan, and the province's socialist modernization drive will take new strides forward.

BRIEFS

**SICHUAN RESERVOIR COMPLETED** — Chengdu, May 5 (XINHUA) — A new irrigation project began operation today in the northern part of Sichuan Province. The Shengzhong Reservoir, the largest in southwest China, is built on a tributary of the Yangtze River and has a storage capacity of 1.339 billion cubic meters. Construction began in December 1977. The reservoir will ensure irrigation of 140,000 hectares of farmland in northern Sichuan, where drought used to be a serious problem. Sichuan is one of China's major grain producers. [Text] [Beijing XINHUA in English 0715 GMT 5 May 87 OW]

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JI PENGFEI REITERATES POSITION ON DELAYING REFORM

HK060531 Hong Kong SOUTH CHINA MORNING POST in English 6 May 87 p 2

[By Chris Yeung]

[Text] Chinese State Councillor Mr Ji Pengfei has reiterated that major political reforms in Hong Kong should only be introduced after the promulgation of the Basic Law in 1990.

The senior Chinese official, who heads the Hong Kong and Macao Affairs Office, also warned of "troubles" if any political changes before 1990 failed to fall in the line with those prescribed in the Basic Law.

The latest warning from Beijing on the imminent political review was made during a meeting with a delegation of scientists from the University of Hong Kong and the Association for the Advancement of Science and Technology last month.

The delegation leader, Professor Poon Chung-kwong, said on returning to Hong Kong yesterday that Mr Ji had stressed the Basic Law was not written by himself but in accordance with the views of Hong Kong people through bodies such as the consultative committee.

Professor Poon, Dean of the Faculty of Science, said: "Mr Ji said it would be better for Hong Kong to have fewer changes (in the political system) before the Basic Law is released in 1990...and that's in accordance with the spirit of the joint declaration."

Changes thereafter should take into considerations the political system outlined in the Basic Law, Mr Ji said.

Prof Poon said: "We asked Mr Ji his personal views on direct elections such as the introduction of one quarter of directly elected elements to the Legislative Council next year as suggested by some groups here.

"Mr Ji avoided a positive answer."

A delegation member, electronics industrialist, Dr Lui Ning-vah, said. "He stressed Hong Kong had to follow the basic law in making any political changes."

— In another development, the influential Chinese Manufacturers' Association [CMA] has spoken against direct elections.

Quoting the initial findings of ~~an~~ opinion poll among its members, CMA's vice-president and Legislative Councillor, Mr Ngai Shiu-kit, said most members were against direct elections.

He personally believed direct elections now would lead to social chaos and affect investment.

Mr Ngai told the CHINA NEWS SERVICE: "Direct elections will lead to (the formation of political) parties in one form or another" and political parties would conflict with the present social structure and public opinion.



He warned that public sentiments might be manipulated by politicians.

Mr Ngai said the prosperity and stability of Hong Kong during the transition period depended whether a free economy and a stable political structure could be maintained.

Caution was the key word and the maintenance of a free economy the guiding principle in any political review, the industrialist said.

He said: "The urgent task is to strengthen the economy, facilitate industrial investment, boost employment and improve living standards -- but not to carry out any risky experiments and drastic changes to the political structure.

"Such political experiments will do no good to the economic prosperity and dampen the confidence of businessmen," said Mr Ngai.

He maintained the prosperity of Hong Kong in the past decades was built upon "a high degree of freedoms" but not direct elections.

#### KU JIATUN ON POLITICAL REFORM, 'LEFTISM'

HK030422 Hong Kong TA KUNG PAO in Chinese 2 May 87 p 4

[Report: "Discussing Hong Kong Political Reform, Xu Jiatun Advocates That it Converges With Basic Law"]

[Text] When asked by reporters about his views on the powerful reactions to Sze Yuen Chung's remarks yesterday, Xu Jiatun, director of the Hong Kong branch of the XINHUA NEWS AGENCY, said: Hong Kong political reform should converge with Basic Law, this is our consistent viewpoint. Referring to the views on direct elections in political reform, he said that in terms of views of the great majority, some are right and some are not.

When attending the May Day reception given by the Hong Kong Trade Union Federation yesterday, Xu Jiatun was asked by reporters about his views on the powerful reactions to the statement made by Sze Yuen Chung recently. Xu said: "Our position that political reform should converge with Basic Law is known to all." He said that there are many suggestions and plans now, and no unanimity of views is reached on them.

When asked by reporters that if the great majority of people favor direct elections, would China accept it, Xu Jiatun said that we should not proceed from supposition.

Asked whether the "great majority who remain silent" refers to workers, Xu Jiatun said: "Apart from workers, it also includes the grass roots, upper-class elements, and members of the middle upper strata". Asked whether the views of the great majority are the best, he said: "Generally speaking, views of the great majority are correct and should be respected, but sometimes there is an exception." He reiterated: "With regard to the views of both the majority and the minority, some conform to the actual situation and some do not."

When reporters asked what Deng Xiaoping really meant when he said that the CPC should fight against not only rightism but also "leftism" at a meeting with foreign guests the day before yesterday, Xu Jiatun said: "This means we fight against rightism whenever it emerges and we fight against 'leftism' whenever it appears. We do not mean we oppose them recklessly. If there is such a phenomenon, we must combat it." He reiterated: We fight against "leftism" whenever it appears and we fight against rightism whenever it emerges. This is our consistent position.

#### LIAOWANG ON DRAFTING HONG KONG BASIC LAW

HKO41345 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 17, 27 Apr 87 pp 3-4

[Article by Lin Hai (2651 3189): "Seriously Materialize the Concept of 'One Country, Two Systems' — Li Hou on the Fourth Plenary Session of the Basic Law Drafting Committee"]

[Text] At a special interview with this reporter following the closing on 17 April of the Fourth Plenary Session of the Basic Law Drafting Committee of the Hong Kong Special Administrative Region of the PRC, Li Hou, deputy director of the Hong Kong and Macao Affairs Office of the State Council and secretary-general of the Basic Law Drafting Committee of the Hong Kong Special Administrative Region, said: The speech made by Chairman Deng Xiaoping when meeting all members of the drafting committee during the current session has further deepened the committee members' understanding of the great concept of "one country, two systems."

He said: The "one country, two systems" concept is something never seen before in history and moreover, there is no precedent to go by in drafting a basic law embodying the concept. The Basic Law Drafting Committee is undertaking a lofty historical mission and thus bearing a great responsibility. We must strictly adhere to our government's basic principles and policies enshrined in the Sino-British Joint Declaration and draw up a basic law really embodying the "one country, two systems" concept.

#### Lively Discussions, Each Sticking to His Own Views [subhead]

The Fourth Plenary Session of the Basic Law Drafting Committee of the Hong Kong Special Administrative Region was held in the Great Hall of the People in Beijing from 13 to 17 April. During the session, lasting 5 days, the committee members heard and discussed the work reports submitted by the group in charge of the special topic of the relationship between the central authorities and the Hong Kong Special Administrative Region and by the group in charge of the special topic of Hong Kong residents' fundamental rights and duties; initially discussed the draft preamble to the Basic Law and the articles of its general principles advanced in the above-mentioned reports; further discussed the draft clauses of Chapter Two, Chapter Three, Chapter Seven, and Chapter Nine of the Basic Law; and discussed and adopted the "Methods of Collecting and Examining and Approving the Flag and Emblem Designs of the Hong Kong Special Administrative Region."

Li Hou told this reporter that during the session, participants took the floor one after another and had lively discussions. In the spirit of saying all one knows and saying it without reserve, the committee members frankly stated their own views. Through extensive exchanges of opinions, they reached a relative consensus on most clauses worked out by the two special-topic groups. Although there were still differing views on some issues, quite a few committee members made constructive suggestions for obliterating the differences. This provided favorable conditions for the special-topic groups to continue discussions at the next stage. Therefore, this meeting was a success, pushing the basic law drafting work a step forward.

**Several Issues Thoroughly Debated [subhead]**

When asked about the issues thoroughly debated at the session, Li Hou gave a briefing as follows:

The issue of the name of the "New Territories" that smack of colonialism not be enshrined in the Basic Law and others contended that since the name was left by history, its appearance in the Basic Law would not matter much. No consensus was reached at the session on this issue.

However, many committee members were included toward the proposal put forth by some members that the first sentence in the draft preamble to the Basic Law be revised as "Hong Kong has been China's territory since ancient times" and when promulgating the Basic Law, the State Council make public the map of the area of the Hong Kong Special Administrative Region to indicate the range of the Hong Kong area.

The issue of application of some national laws in Hong Kong involves two aspects. One is the relationship between the PRC Constitution and the Basic Law of the Hong Kong Special Administrative Region. The committee members have reached a common understanding on this question: The Hong Kong Special Administrative Region will be established in accordance with the provisions of Article 31 of the Constitution and its Basic Law will also be enacted according to the Constitution. Therefore, the constitution as a whole must undoubtedly be applicable to the Hong Kong Special Administrative Region. However, since the state pursues the policy of "one country, two systems" in Hong Kong, the provisions of the Constitution on the socialist system and its related policies are naturally not applicable to Hong Kong. The committee members agreed that the explanation of the draft Article 1 of Chapter Nine submitted to the current session for discussion on the relationship between the Constitution and the Basic Law is feasible and at the same time suggested that when promulgating the Basic Law, the Standing Committee of the NPC make necessary explanations on Article 31 of the Constitution.

The other aspect is the issue of the application of national laws in Hong Kong.

In Li Hou's opinion, it is understandable for Hong Kong committee members to be concerned about this issue. He said: The national laws applicable to Hong Kong are definitely limited in number. It can be said that national laws are in general not applicable in Hong Kong but the application of a few national laws in Hong Kong cannot be ruled out. During the session the committee members had lively discussions on this issue and suggested some constructive ideas.

Some members suggested that it be made clear that aside from some laws concerning national defense, diplomacy, and state sovereignty which are applicable to Hong Kong, national laws governing other areas of endeavor are not applicable to Hong Kong. Others proposed that this issue be included in the clause of the Special Administrative Region enjoying legislative power, stating that with a few exceptions, national laws are in general not applicable to Hong Kong and listing procedures to follow in applying those national laws which are applicable to Hong Kong. It is believed that an appropriate solution to the problem can be found through further explorations.



The committee members have reached some common understandings on the question of the right to interpret and amend the Basic Law but at the same time, there were also some differing views on the issue among them. The committee members had no objection to the draft Article 2 of Chapter Nine submitted to the current session for discussion, which defines that the right of interpretation belongs to the Standing Committee of the NPC but they still had differing views on whether the courts of the Hong Kong Special Administrative Region have the right to interpret the provisions of the Basic Law on the exercise of autonomy which goes to the region when trying cases.

There are no differing views among the committee members on the issue that the right to amend the Basic Law belongs to the Standing Committee of the NPC. Nevertheless, some members considered the provisions of the draft Article 3 of Chapter Nine which says "No amendments will be made to the various basic principles stipulated by the General Principles of this law in 50 years following the date when this law comes into force" not sufficiently comprehensive, because what the Sino-British Joint Declaration says is that the PRC Government's various policies toward Hong Kong will remain unchanged for 50 years but not all basic policies of the PRC Government toward Hong Kong are now included in the current General Principles.

As for the issue of the right to table motions on amending the Basic Law, draft Article 3 of Chapter Nine stipulates: The motions should be advanced by the Standing Committee of the NPC, the State Council or delegates to the NPC. Many members said that the right to table motions on amending the Basic Law of the Hong Kong Special Administrative Region should be put under a little stricter control. According to the stipulations of the Constitution, seven organs are entitled to propose amendments to the Constitution to the NPC. To maintain the stability of Hong Kong's Basic Law, those which are entitled to make proposals favoring amendments to the Basic Law should be confined to three. As to which three, some committee members preferred the original proposition, that is, "amendments to the Basic Law should be proposed to the NPC by the Standing Committee of the NPC, the State Council, or the Hong Kong Special Administrative Region."

**Pool the Wisdom and Efforts of Everyone, Strive To Work Out the Draft for Discussion of the Basic Law [subhead]**

Li Hou said: As time was limited, the current session did not have enough time to discuss matters in greater detail and to reach unanimity on some issues. However, the participants kept on seeking common grounds through discussions and by hearing each other's views. At the current session, many committee members suggested good ideas and proposals. When holding discussions in the future, the special-topic groups are encouraged to sum up the desirable portions of their suggestions and to find proper solutions to problems. Therefore, it can be said that the current session has laid a sound foundation for making the draft clauses of the relevant chapters and articles of the Basic Law more perfect and accurate.

Li Hou emphatically pointed out: Satisfactory progress has been made in the Basic Law drafting work over the last 20 months of concerted efforts. He said: Since five special-topic groups were set up in April last year, every member of the drafting committee has taken an active part in the drafting work and in particular, the spirit of being serious and responsible on the part of Hong Kong members deserves commendation.

Li Hou said: This is a crucial year for the drafting of the Basic Law and the tasks are very arduous. The drafting committee will hold two more sessions in August and December of this year and strive to work out the draft for discussion of the Basic Law at the beginning of next year to solicit opinions from all sides. In his opinion, although the tasks of the drafting of the Basic Law are arduous, the drafting committee has accumulated some experience in its work over the last nearly 2 years and the friendship and understanding and trust among members are steadily on the increase. Moreover, the Hong Kong Consultative Committee has provided us with a lot of data of reference value and of the opinions of personalities of various social strata in Hong Kong. All these are conditions will help us do a better job in the drafting work. He believes that all members of the Basic Law Drafting Committee will live up to the expectations of all Hong Kong citizens and the people throughout the country and work hard to make the drafting work a success and to achieve the complete embodiment of the "one country, two systems" concept.

#### XU JIATUN HOSTS BANQUET FOR NEW GOVERNOR

HK050316 Beijing XINHUA Hong Kong Service in Chinese 1407 GMT 4 May 87

[Text] Hong Kong, 4 May (XINHUA) -- Tonight, Xu Jiatun, director of the Hong Kong Branch of the XINHUA News Agency, held a banquet at the Furama Hotel in honor of Sir David Wilson, governor of Hong Kong, and his wife.

While proposing a toast, Xu Jiatun said: "Since the Sino-British 'Joint Declaration' was signed, Hong Kong has kept steadily developing all along and people's confidence has been continuously strengthened. This is the result of friendly Sino-British cooperation and of the concerted efforts of people in all quarters of Hong Kong."

He said: "Both of us are confronted with an arduous task this year. Our side is stepping up the formulation of the Basic Law while your side is conducting an examination of the political structure. A good convergence of these two is an important condition for maintaining the stability and prosperity of Hong Kong and for a smooth transition in 1997. This, therefore, requires us to strengthen even more our friendly and cooperative relations in the years ahead."

He said: "Sir David Wilson is our old friend, has a very deep understanding of China, and has made important contributions toward the satisfactory solution of the Hong Kong question. I am convinced that with our concerted efforts, all provisions of the Sino-British 'Joint Declaration' will surely be satisfactorily implemented and Hong Kong will surely make even greater development."

At the banquet, Sir David said: "China has an old saying: 'Is it not delightful to have friends coming from distant quarters?' Is it, however, not even more delightful when people coming from distant quarters see so many friends around them?"

He said: "I feel greatly honored that I am able to return to Hong Kong to assume the office of a governor. At the same time, I also understand that I have a grave responsibility."

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He said: "Our common aim is to implement all provisions of the 'Sino-British Joint Declaration' in an all-round way and to maintain the stability and prosperity of Hong Kong. It is not an easy task to maintain the stability and prosperity of Hong Kong. Both sides are required to make unremitting efforts and to understand the social changes and needs. We will, however, surely score success."

Attending tonight's banquet were Sir Denys Roberts, chief justice of Hong Kong, and his wife; David Ford, chief secretary, and his wife; Robert Pierce, deputy political adviser, and his wife; Li Chuwen, deputy director of Hong Kong Branch of XINHUA NEWS AGENCY, and his wife; Qiao Zonghuai, deputy secretary-general, and his wife; Ji Shaoxiang, acting director of the Foreign Affairs Department, and his wife; and Li Ruohu, divisional head of the Foreign Affairs Department.

#### LU PING MEETS WITH VISITING BLOC MEMBERS

HK050853 Hong Kong SOUTH CHINA MORNING POST in English 5 May 87 pp 1, 2

[By Bernard Fong]

[Excerpts] China has spelt out what it means by "a high degree of autonomy" for Hong Kong -- although it will have true legislative power, it does not mean independence.

The Chinese Basic Law Drafting Committee General Secretary, Mr Lu Ping, told 14 visiting Hong Kong members of the BLOC [Basic Law Consultative Committee] that "Hong Kong will enjoy an autonomy greater than what has been given to other autonomous regions of China", meaning Tibet and Xinjiang.

Mr Lu said the future Special Administrative Region [SAR] would be given more autonomy than Hong Kong now received from Britain, because its chief executive would either be elected or nominated and would be a local person.

The fact that the future legislature would be vested with true legislative power also proved China's sincerity about autonomy for Hong Kong.

All this, he implied, was a gift to the territory whose present governor, a foreigner, "was imposed on the Hong Kong people."

One of the Hong Kong delegates, Mr John Lambourn, said yesterday China seemed disturbed that some Hong Kong people misunderstood the pledge given in the Joint Declaration to suggest that a "high degree of autonomy" was an euphemism for independence.

Mr Lambourn said Mr Lu made it clear that this promised autonomy would be conferred on the territory by the mother country.

Another delegate, Mr Anthony Rogers, said he had the impression that "China wanted to make sure Hong Kong people know we are a part of the country".



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Mr Lu, being as usual circumspect and diplomatic, would not comment on political reforms in Hong Kong. [passage omitted]

Mr Lambourn said the Chinese were willing to give economic autonomy a wider scope than other facets of life in Hong Kong, "which ought to please the businessmen".

Both Mr Rogers and Mr Lambourn asked about human rights for Hong Kong.

Mr Lu said human rights were enshrined in every constitution, including China's, which, unlike most others, was subject to frequent revisions.

"There is a lot of work still to be done on the human rights issue," Mr Rogers said, adding he was perturbed by the Chinese insistence that certain mainland laws would apply to the SAR.

The fact that China applied the death penalty and Hong Kong did not could lead to problems.

The Chinese drafters told Mr Rogers that the vast majority of Hong Kong people, given the choice, would opt for capital punishment.

Mr Rogers envisaged grave problems should a Hong Kong person accused of a crime punishable by death in China flee to the territory.

Should Hong Kong send the accused back to China to face execution or should he be tried here where the punishment was less severe?

Though the drafters dodged the issue, Mr Rogers said he would pursue the issue because "the applicability of Chinese laws" to Hong Kong could infringe on the Basic law.

Mr Rogers said it was important that Chinese and future Hong Kong laws be separate.

The delegation asked about freedom of worship and were told it was guaranteed under the existing constitution and need not be included in the Basic Law, an argument which Mr Rogers for one could not accept.

The Hong Kong delegation leader, Mr Tuet Wai-sin, said the Chinese drafters were unsure whether state subsidies for approved religious institutions would be extended to the region.

The mainlanders seemed to be divided over the religious issue with some wanting to avoid it altogether.

Mr Rogers said, despite the few disagreements, he was generally pleased that the Chinese drafters were considering the consultative members' proposals, praising Mr Lu especially for his openness and sincerity.

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